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PRESENT-DAY LABOR RELATIONS

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A Critical Examination of Methods of Collective Negotiation Between Employers and Employees

BY

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PREFACE

This book has been written in the belief that there is need for a short, non-technical treatment of labor relations in the United States, which presents the essential features of important types of employer-employee negotiation. It is not, and does not profess to be, a handbook informing the reader how to install and operate specific plans of industrial relationship. It is an attempt, rather, to examine critically the leading types of collective negotiation, and to review their merits and defects, from the points of view of employer, employee, and the public. Trade unionism, employee representation, and the combination of these two which is commonly called union-management cooperation, are treated in turn. It seems probable that the average student of labor problems and the business man can learn from these pages as much as they will need to know about labor relations of these kinds.

The chapters on trade unionism aim to describe clearly and concisely the purposes and methods of unionists, and the effects of union practices on public welfare. A section of the book is given over to employee representation, which is thought by many students of labor relations to offer a most promising solution of problems of industrial strife. The section on this subject analyzes employee representation, its objectives, the gains that have been made through its agency, and the attacks that have been made upon it by organized labor. An important chapter discusses four prominent examples of employee representation which have been examined care-

fully and impartially by competent investigators. A chapter on the literature of employee representation reviews all of the important works on the subject, technical and non-technical, in such manner as to enable the reader to turn readily to the book or books which deal at length with phases of employee representation in which he may be particularly interested. Union-management cooperation is presented through the concrete case of the Baltimore and Ohio Railroad plan, with a detailed account of its purpose and operation, and evidence of the high degree of approval which it has met with at the hands of both management and workers. Finally, there is an appraisal of the prevailing types of collective negotiation, in the light of the requirements of industrial democracy.

Several experts in the field of labor relations have aided the author greatly by reading, in manuscript form, chapters relating to divisions of the subject in which they are especially interested. Among those to whom acknowledgment should be made in this connection are: Miss Mary Van Kleeck, Director of Industrial Studies for the Russell Sage Foundation; President William Green, of the American Federation of Labor; Mr. Otto S. Beyer, Jr., who introduced the famous plan of union-management cooperation into the Baltimore and Ohio Railroad system; Mr. H. F. Browne, Manager of the Industrial Relations Department of the National Industrial Conference Board; and Mr. Ernest R. Burton, author of "Employee Representation" (Williams and Wilkins, Baltimore, 1926), who is at present conducting another study on this subject under the auspices of the National Civic Federation. The criticisms and suggestions of these authorities in the field of labor relations have been extremely helpful. My wife, Jane Brown Gemmill, has read the entire manuscript with painstaking care; and Mrs. Helen S. White has rendered valuable assistance in the arduous tasks of preparing copy and

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PRESENT-DAY LABOR RELATIONS

CHAPTER I

THE AIMS AND METHODS OF TRADE UNIONISM

Aggressive trade unionism in the United States is a development of the past hundred years. In the early stages of industry, the problem of labor relations was a comparatively simple one, due largely to the close association of employer and employee; but with the expansion of the factory system of manufacture, the distinction between capitalist-employer and worker became more and more pronounced, and the two came to think of their interests as opposed rather than common. In the earlier days, indeed, there was often but little difference between the economic and social status of employer and employed. But the rapid accumulation of wealth, resulting from large profits provided by machine production, divided capital and labor into two distinct groups, and destroyed to a large extent the feeling of comradeship that had previously existed. It forced upon the average worker a realization that he was in all probability destined to remain an employee, since the large factories and costly machines that had supplanted the craftsman's tools were clearly beyond his reach. Moreover, the impersonal nature of factory industry had brought, almost from the outset, some at least of the evils commonly ascribed to "absentee ownership"; for the factory owner was now ofttimes a maker of profits rather than goods, and too much engrossed in his great enterprise to give

attention to small details affecting intimately the welfare of his people. Finally, the new industrial regime, with its increasing emphasis upon specialization of labor, resulted in the separation of the worker from his product, and the uncertainty on his part that he was actually receiving as wages the full product of his labor.

The Need for Collective Bargaining

To these and other consequences of changing economic conditions, largely of the nineteenth century, we may attribute the rise of the trade union idea in the United States. There were further reasons, of course, such as the desire for expression in the industrial as well as the political field, but those already noted are sufficient to account for a consciousness on the part of labor that its "rights" could be adequately protected only by means of effective organization. Various types of workers' organizations have been experimented with, but the most usual form in this country is the trade union, made up of members of a given trade or craft. The basic function of the trade union is to represent its members in their business relations with employers; in a word, to substitute collective bargaining for individual bargaining. Collective action is essential if there is to be anything approaching equality in bargaining. The single worker is of much less importance to his employer than the job to the worker. His labor is a perishable commodity, to be sold from day to day or forever lost. He usually has but slight material resources, and cannot hold out long even against an employer who offers him less than a genuine "living wage." He is often ignorant of business conditions, and does not know whether the wage offered him is the prevailing market wage or not. And, if there is even a slight surplus of labor, he may be induced to bid against other workers for a needed job, and thus bring the wage far below that necessary for a comfortable stand-

ard of living. For these evils of individual bargaining, trade unionism offers effective antidotes. The employer's fear of losing all of his workers through a possible strike multiplies the importance of the worker by the number of his union associates. If the worker suffers serious loss through each day of enforced idleness during negotiation, so also does the employer, if his plant is closed by strike order. The slight financial resources of the worker are bolstered up by the union "war chest," and thus, through union support, his waiting power is increased. His ignorance of business conditions is counteracted by the expert knowledge of the business agent or other representatives of his union. Disastrous underbidding for jobs is avoided through the union's specification of the lowest wage that a member may accept. The plain truth is that an individual worker is at a hopeless disadvantage in negotiating with his employer; but, by joining with his fellow-workers, and acting through a trade union, he may be able to secure fairly equitable terms of employment.

Union Recognition and Collective Bargaining

Since the chief function of successful trade unionism is to establish collective bargaining, the first essential to effective action is to gain recognition of the union; for, obviously, until an employer is willing to deal with the workers as a unit, and to concede to elected union representatives the right to transact business for the entire membership, there can be no genuine collective bargaining. In most of the older industrial countries, as, for example, in England, recognition of the union is taken almost as a matter of course. Several years ago, Professor Hobson felt justified in making the generalization that "by the year 1914 (the great dividing line in modern history) the idea of individual labor contracts as an equitable and socially-defensible method of getting labor for

industry had become obsolete";[1] while the recent report of the Liberal Industrial Inquiry (sponsored by the Liberal Party of Great Britain) asserts that "on the whole, 'collective bargaining' between highly organized negotiating bodies has become so much the established usage that we take it for granted as if it were part of the order of nature."[2] American employers, as will be noted at some length in Chapter IV, have not accepted so universally or whole-heartedly the principle of collective action by workers. Indeed, some of the most serious industrial conflicts that this country has ever witnessed have been struggles over recognition of the union and the right to bargain collectively, which, in reality, amount to the same thing. There are, among employers in the United States, fairly numerous examples of the type described by ex-President Taft as "the bourbon, the man who never learns anything and never forgets anything; the man who says: 'It is my legal right to manage my business as I choose, to agree to such terms of employment as I choose, to exclude from my employment union men, because I don't approve of the tenets of the union, and to maintain a family arrangement of my own. I do fairly by my men; I pay them what I think is right, and they will not complain unless some outside union agent interferes. I run a closed non-union shop, and I am happy and propose to continue happy.' This man is far behind in the progress of our social civilization. . . . He does not recognize that we have advanced beyond the state in which employers and employees are mere laws unto themselves."[3]

The late Judge Gary was admittedly an employer of this type, as is indicated by the following extract from one of his addresses: "Make the Steel Corporation a

[1] J. A. Hobson, *Ethics of Collective Bargaining.* In *Problems of Labor,* by Daniel Bloomfield, p. 521. New York: H. W. Wilson Co., 1920.

[2] *Britain's Industrial Future,* being the Report of the Liberal Industrial Inquiry, p. 151. London: Ernest Benn, Limited, 1928.

[3] William Howard Taft, *Collective Bargaining.* In Bloomfield, p. 213.

good place for them [the workers] to work and live. Don't let the families go hungry or cold; give them playgrounds and parks and schools and churches, pure water to drink, every opportunity to keep clean, places of enjoyment, rest and recreation: treating the whole thing as a business proposition; drawing the line so that you are just and generous and yet at the same time keeping your position and permitting others to keep theirs, retaining the control and management of your own affairs, keeping the whole thing in your own hands, but nevertheless with due consideration to the rights and interests of all others who may be affected by your management."[4] Judge Gary's bitter and successful opposition to all attempts to organize the steel workers was thoroughly consistent with his stated policy. But this attitude of unqualified hostility to unionism must not be over-emphasized; despite its prevalence (as is shown in the almost continuous "open shop" campaigns), the fact remains that a great many employers, either of their own volition or under compulsion, have recognized the union, and as a result collective bargaining is well established in many branches of American industry.

The Trade Agreement

Once the right to bargain collectively is conceded, the terms of employment are arrived at through negotiation and are set forth in an instrument known as the trade agreement, or labor contract. The trade agreement, whether written or verbal, is the goal of modern unionism. It is the concrete expression of labor's share in the management of industry; for the ability of labor to dictate certain provisions of the labor agreement is surely evidence of the surrender of power on the part of the

[4] Ray Stannard Baker, *The New Industrial Unrest*, p. 18. New York: Doubleday, Page & Co., 1920.

employer, and the attainment of joint control (though not, of course, *equal* control) of industry by employer and employees. The trade agreement is ordinarily a short-term contract, designed to govern labor relations for one year, or two years, or occasionally for a longer period. It is the result of a conference, or series of conferences, sometimes conducted by a joint council of several representatives of the employer and the union or again consisting of negotiation between an employer and the business agent of a union. In any event, both parties to the proposed agreement present their claims, and, since either side may veto the action of the other, the final decision is pretty certain to be a compromise. But, on the whole, as Mr. Taft has put it, "the result reached is far nearer a just one than any before attained. That it may often be unjust goes without saying, but so are all human attempts to reach the right line."[5]

The trade agreement has to do with three items of great importance: Wages, hours, and working conditions.[6] A detailed analysis of twenty typical trade agreements disclosed the fact that all twenty dealt with wages, eighteen with hours, and fourteen with conditions of work.[7] There were, in addition, such subjects as discharges, methods of settling disputes, promotion, apprenticeship, and so on, which might be and frequently are grouped under the title "working conditions." The less detailed classification of wages, hours and working conditions will meet the needs of the present survey.

[5] Bloomfield, p. 214.

[6] There are exceptions, of course, to this general statement. For example, the Minimum Standard Contract of the Actors' Equity Association, representing ten thousand theatrical performers, does not deal at all with wages or hours, but relates only to working conditions. But this is a very unusual instance. Most trade agreements place great stress upon wages and hours of labor.

[7] Earl J. Miller, *Workmen's Representation in Industrial Government*, p. 144. Urbana, Ill.: University of Illinois Studies in the Social Sciences, Vol. X, Nos. 3 and 4, Sept.–Dec., 1922.

Wages

The question of wages is one of the utmost significance to the worker, since the size of his wage determines whether he can purchase a high standard of living or must content himself with a low standard. The union wage theory is, in general, the so-called "bargain theory," which holds that wages are high or low, depending upon the economic pressure that can be brought to bear upon the employer. An increase in wages is not expected to reflect itself in higher prices for the product, but will presumably result in lessened profits for the enterpriser; and union leaders point to the enormous earnings of certain successful corporations as likely sources of larger wages for workers. One of the fundamentals of union wage policy is the establishment of a minimum rate to apply in a given trade in a given market. This minimum is claimed by the unionists to be a "fair" rate for the type of work to be done; and below this minimum no union man may go, though there is usually no objection to the acceptance of a higher wage. This arrangement is designed to prevent the underbidding of one union worker by another, with its deadly effects upon wages and standards of living. Unionists quite naturally are much concerned about standards of living. They insist that every worker is entitled to at least the standard represented by the minimum wage of his trade. It is partly to maintain a satisfactory standard (though also to prevent "speeding-up") that time-wages are preferred to piece-wages. "A fair *day's* pay for a fair *day's* work" is the ideal, and it is clearly intended that the fair day's work shall be well within the range of the average worker. This desire to safeguard the interests of the average member of the union, and the anxiety to avoid undue speeding-up, have resulted in a very general opposition to incentive wage systems, bonuses, premiums, and similar devices of scientific management. In plants

where these newer forms of wage-payment are found, the unions have usually, though not always, been too weak to prevent their introduction—if, indeed, the workers are organized at all.

Hours of Labor

The methods of trade unionism are avowedly those of opportunism. Wage increases are demanded when business is booming, and decreases are resisted in time of depression. In this manner, the union workers seek, step by step, to secure as large a return as possible for their contribution to the industrial process. But this return does not necessarily consist of higher wages; it may come equally well in the form of a shorter working day. In the struggle for more favorable terms of employment, the demand for a reduction in the hours of daily toil has been almost as insistent as the claim for a larger share of the product. At times, no doubt, the workers have had in mind the actual enjoyment of that fuller leisure which has been called "the opportunity of opportunities—the condition of all effective social reconstruction and progress."[8] The greater opportunities which the short working day affords for recreation and relaxation, for getting better acquainted with one's family and neighbors, for taking part in social and political activities, and for education, are unquestionably appreciated by those who can remember the ten- and twelve-hour days of the nineteenth century. But some, at least, interpret the shorter hours of today mainly in terms of wages, as is revealed by the familiar trade-union jingle:

> "Whether you work by the piece or work by the day,
> Decreasing the hours increases the pay."

When the shorter day has been secured with no loss in the daily wage, the hourly rate, of course, is greater than

[8] J. A. Hobson, *Work and Wealth*, p. 236. New York: The Macmillan Co., 1922.

before. There is likely, also, to be an increased demand for men to do extra work at the customary "time and a half for overtime." Under these circumstances, the prospect of leisure may not be sufficiently alluring to match the attractiveness of the additional income offered for overtime; and as a result the number of hours actually worked may be as great as before the shorter working day came into effect. This observation applies, of course, only to the "basic" day, which serves as a basis for computing wages but permits the working of extra time for extra pay. There is also the so-called "straight" day, with overtime prohibited. This is the outgrowth of the idea that there is but a limited amount of work available, and that no one should be allowed to work more than a stipulated number of hours, lest the fixed quantity of work be speedily completed and some union members be compelled to go without employment. But whether shorter hours were desired primarly for the sake of more leisure or greater income, or as a safeguard against unemployment, is relatively unimportant in this connection. The significant fact to be noted here is that, due largely to trade union activities, the past half-century has seen the ten-hour day take the place of the twelve-hour day, only to be supplanted in many industries by a working day of eight hours. Certain particularly strong unions are now asking for a forty-four hour week; and the miners have urged the justice of a six-hour day for mine-workers, because of the unwholesome environment in which they are compelled to labor, and the hazardous nature of their work.

Working Conditions

As has already been suggested, the term "working conditions" may cover a multitude of matters relating to the employer-employee relationship. The items included vary widely as between different crafts, depending

upon the character of the various trades and the strength of the respective unions. There may be minimum requirements in sanitation, safety devices, and other physical conditions of the plant. Provisions relating to discharge, settlement of disputes, and promotion are common. Apprenticeship rules are clearly stated in many trade agreements, and conditions under which new processes or new machinery may be introduced are set forth. It is the aim of trade unionism to standardize not only wages and hours, but working conditions as well; since the least costly working conditions, like the lowest wages, are those customarily provided by employers in the absence of an organized labor force. Hence the necessity of stipulating in a formal agreement those conditions of work which seem to the union to be essential to the welfare of its members. Only by enforcement of the principle of standardization can wild competition between workers be prevented; and only in the absence of such competition can labor be reasonably certain of securing satisfactory wages, hours, and working conditions.

Enforcement of the Trade Agreement

It should be clear by this time that the extent to which the trade agreement favors the workers depends chiefly upon the economic power which they, through the union, are able to exert. Moreover, it is one thing to draw up a trade agreement, and quite another to insure that the contracting parties will live up to its provisions.[9] Looking at the situation from the workers' point of view, it will be seen that the union has need for a fighting machine, so that, by a display or exercise of strength, it may convince the employer of the wisdom of entering into a labor contract, may insure its fulfillment, and,

[9] Both employers and employees have been guilty, at times, of treating trade agreements as mere "scraps of paper." Such instances, happily, are the exception rather than the rule.

when it has expired, may put in its place an agreement containing even more favorable terms of employment. The union policy of opportunism entails continuous watchful waiting, and the willingness and ability to press forward whenever the time seems ripe. The leading agencies through which the union makes its demands effective are the closed union, the closed shop, and the strike. Not all of these features, it should be noted, apply to all strong unions; but all have, at some time or other, contributed to effective collective bargaining.

"Open" and "Closed" Unions

The "open union" is one to which it is easy to gain admission; the "closed union" is one which practices restriction of membership. The open union not only permits workers in the trade to join the organization, but often goes so far as actually to seek out workers who are eligible for membership and encourage them to join. To make membership easy and attractive, the initiation fee and the dues of the open union are usually kept low. The closed union, on the contrary, aims to restrict its membership to that number which seems most advantageous. It operates on the theory that if the union has but few members, the supply of labor of a given kind will be small, and as a consequence wages will be high. This is true, as will be seen in Chapter II, only when the closed union is able to enforce the principle of the "closed shop." Membership may be restricted in several ways. Usually there is a very high initiation fee, sometimes as high as several hundred dollars, and the dues are commonly higher than those of the open union. These financial obligations alone are sufficiently great to exclude a large number who might otherwise apply for membership. But there are other and even more effective restrictive measures. In trades in which the apprentice system still survives, the number of apprentices per-

mitted to learn the trade is regulated by the union. This is professedly to insure adequate training of apprentices, but it has the effect also of limiting the labor supply. The union claims to allow as many apprentices to learn the trade as can properly be taught by the skilled workmen in the industry. Candidates for membership in closed unions are sometimes required to pass strict examinations testing their technical skill; and this again, it is argued, is in order to maintain a high standard of craftsmanship among union members. Having satisfied these requirements, and having been approved by vote of the present members, the would-be unionists are at last admitted to membership. But these several restrictive measures are ample to enable the closed union to limit its numbers as it may see fit.

"Open" and "Closed" Shops

Open and closed shops, also, play important roles in trade union activities.[10] Theoretically, the "open shop" is an establishment in which union and non-union men may work side by side. In practice, the open shop has often turned out to be a closed non-union shop, in which no union worker could hope to secure employment, if his union affiliations were known. When the shop is actually open to both union and non-union workers, the terms of employment are not arrived at through collective bargaining (though they are occasionally just as good as the terms of trade agreements), since the union workers are not recognized *as such,* but merely as individual employees. Collective bargaining does govern the

[10] A third type of "shop," the "preferential union shop," must not be overlooked. Union workers are here given preference over non-union when it comes to being hired or laid off. In other words, non-union men may not be employed so long as there are union men ready to accept jobs; and in the event of business depression the non-union workers are the first to be dismissed from service.

relations prevailing in the preferential union shop, where unionists and non-unionists may work together, as has been noted. But when a trade union develops sufficient strength to command recognition, there is a strong tendency to go a step further and set up the "closed shop." This, as the name implies, is an establishment closed to all except union men. The closed shop rule is that a union man may not work with non-unionists, so that the hiring of *any* union workers means the hiring of union workers only. To put the closed shop principle into practice means a unionization of workers so extensive that employers cannot operate their plants with the few non-union men available. Being forced to employ some union workers, they are compelled by the closed shop principle to employ only union men; and the closed shop becomes an established fact.

Union leaders oppose the use of the term "closed shop," on the theory that it is likely to stir up undeserved antagonism. The late Samuel Gompers stated the case in these words: "Those who are hostile to labor cunningly employ the term 'closed shop' for a union shop because of the general antipathy which is ordinarily felt toward anything being closed, and with the specious plea that the so-called open shop must necessarily be the opportunity for freedom."[11] For several decades, therefore, union officials have been referring to the open shop as the "non-union shop," and to the closed shop as the "union shop." They justify the newer terminology on the ground not only of expediency but of clarity and simplicity as well. They suggest that the *activity* of union members, and not their mere *presence* in a shop, is the important point.[12] It is contended that any estab-

[11] Report of *Proceedings of Twenty-seventh Annual Convention of the American Federation of Labor*, 1907, p. 25 *(President's Report)*.

[12] This question of terminology is treated ably by H. E. Hoagland, *Closed Shop versus Open Shop.* In *American Economic Review*, December, 1918, pp. 752–62.

lishment in which there is a joint agreement between employer and trade union is a union shop; and any plant lacking an agreement of this kind is a non-union shop. However, the terms "open shop" and "closed shop" are still in common use, and are met with continually in the literature of labor relations.

The Strike and the Boycott

The third important instrument for enforcing union demands, and the real weapon of unionism, is the strike. The strike is an attempt to bring economic pressure to bear upon the recalcitrant employer, through the concerted withdrawal from his plant of all or a large number of his workers. This is very different from an equal number of employees giving up their jobs; for workers on strike have no intention of quitting their jobs permanently. On the contrary, they are extremely anxious to hold their places, if only they can bring the employer to terms; as witness the fact that they resent strongly any attempt to operate the plant with "strike-breakers," or even with new men who might conceivably become permanent employees. The use of the strike is a definite act of industrial warfare; it is certain to entail considerable loss to both of the contending parties, and inconvenience and even genuine suffering to the consuming public. But it is unquestionably the most effective means yet devised for the enforcement of union claims, and organized labor has not hesitated to employ it when the occasion has seemed to indicate the need of severe measures. Other devices used to advance the interests of trade unionism are the union label and the boycott. The former is a stamp or imprint which marks certain goods as having been made by union labor under "fair" conditions. It amounts to a sort of continuous endorsement of the products of those manufacturers who conduct union establishments. It has been applied to a wide variety of com-

modities, and has doubtless stimulated their sale among those in sympathy with union objectives and tactics. The boycott, on the other hand, is a protest measure. It is an attempt to induce union workers, their families, and sympathizers, to refrain from buying the goods or services of firms that are accused of treating labor unfairly. It is, in effect, a temporary penalty imposed upon those employers who, for one reason or another, have incurred the ill-will of organized labor; whereas the union label might be described as a permanent premium awarded to employers who grant their workers terms of employment that the unions consider satisfactory. The boycott, by the way, frequently accompanies the strike, and the combination has brought many a stubborn employer to his knees.

Obstacles to Unionism in the United States

The obstacles to be overcome by trade unions are sufficiently great in any country, but they are particularly formidable in areas that are new industrially, and exceptionally productive. In England and Germany, where social and economic lines are clearly drawn, the worker is apt to accept his status as more or less fixed, and proceeds to make the best of the situation by allying himself with others of his class, in the hope of raising *class* rather than *individual* standards. In the United States, however, nearly every worker regards himself as a potential employer. This has been the case at least until comparatively recent years, for the abundance of opportunities open to the average worker gave him a sense of economic independence almost unknown to the European. If success did not crown his efforts in one line of work, he could find openings in other lines; and, at the worst, so long as the free public lands held out, he could stake out his claim and take a turn at farming. The shining examples of phenomenal rise from poverty to riches,

coupled with the doctrine of "always room at the top," gave grounds for belief that good fortune lay within the grasp of all who practiced honesty, sobriety, and industry; and did much to promote a spirit of individualism among workers as well as employers. Moreover, high money wages and real wages were made possible by a large per capita product, attributable in large measure to the richness of natural resources, the extensive use of machinery, skillful management, and an intelligent and well-trained labor force. Under such hopeful conditions, it is small wonder that there was, in the early days of trade unionism, a lack of enthusiasm for labor organization in many trades; and even today the proportion of union to non-union workers is much smaller in the United States than in the highly industrialized countries of Europe.

Employers' Opposition to Trade Unions

The scene has been changing gradually, however, and the American Federation of Labor and other union groups have met with considerable success in developing a working-class consciousness which would lead the workers to join together and battle for union recognition. In this task, they have had to contend not only with the individualistic attitude of many workers but also with the uncompromising hostility of numerous employers. Some of the latter have favored collective bargaining from the very start, and others have been won over with the passage of time; but the great bulk of American employers are either actively or passively antagonistic to trade union principles and practices. At times the fight has been carried on by independent employers against particular unions, but of recent years the well-organized and amply-financed employers' associations have entered the field. One of the most notable efforts to combat unionism was the post-war open shop campaign, which is still

under way. With paid speakers and tons of printed matter, several important groups of employers have sought to arouse public indignation against the "un-American" closed shop. Adopting the method of attack condemned by Samuel Gompers, they have dealt largely in epithets and have had much to say about the virtues of the open or "American" shop, and the evils of the closed or "un-American" shop. Propaganda of denunciation is especially convincing to those who read headlines rather than arguments, and probably the open shop campaign has led many to regard the closed shop as a real menace to American institutions.

The Labor Injunction

The growing use of judicial injunctions in industrial disputes is another source of anxiety to union leaders. Intended originally to protect property from irreparable damage during a strike or boycott, the injunction has been called upon to perform a much wider service. Union workers and officials have at times been forbidden, by court order, to urge non-unionists to join a union, to picket, to publish information regarding the progress of a strike, to pay strike benefits, or to perform any other act which might, in the opinion of the court, lead to certain undesirable results. Obviously, injunctions of this type, if observed, destroy almost completely the power of the strike; for employers can always find accommodating judges ready to issue injunctions that will bring all strike machinery to a stop. One of the most serious consequences of this alleged abuse of the power to enjoin is a widespread loss of confidence in the integrity of the courts. It is getting to be a commonplace among working people that the courts and the police authorities are always to be found on the employer's side in an industrial dispute. Yet another threat to orthodox trade unionism has appeared in the form of employee repre-

sentation or "company unionism"; but a discussion of this latest "menace" must be held over for Chapter VII.

Signs of Changing Tactics

Enough has been said to justify, from the trade union point of view, the development of a strong fighting organization, able to hold its own in any emergency. "Eternal vigilance is the price of liberty" in industrial as well as international affairs. There are times when the only effective form of argument is what Professor Commons calls "the big stick of unionism."[13] Possibly at no time in the recent past have the enemies of trade unionism been so well equipped for the fray. The unions, too, could muster great strength, even though in actual numbers they have declined about ten per cent. since the record year of 1920, when there were approximately five million organized workers in the United States.[14] However, there are evidences of the adoption by employers of a new labor attitude, or at least a softening of the old anti-union spirit. The employee representation movement, despite its condemnation by organized labor, indicates a readiness on the part of a goodly number of employers to confer with their employees through the medium of elected representatives, and even, in some instances, to delegate to the workers control over certain important shop activities. Organized labor itself has been following two quite different courses of action. It has not lessened in the slightest its insistence upon recognition of the union and the establishment of collective bargaining; but it has shown itself willing and able, once these fundamentals have been conceded, to do construc-

[13] John R. Commons, and others, *Industrial Government*, p. 263. New York: The Macmillan Co., 1921.

[14] George E. Barnett, *The Present Position of American Trade Unionism.* In *American Economic Review*, Supplement, March, 1922, p. 55.

tive work which has proved advantageous to all concerned.[15]

Labor's Willingness to Cooperate

"Cooperation when possible, conflict when necessary" appears to be the present policy of the American Federation of Labor. This is the burden of many of the Federation's official utterances of recent years. "It is not the mission of industrial groups to clash and struggle against each other," reads the Report of the Executive Council to the Portland Convention. "Such struggles are the signs and signals of dawning comprehension, the birth pangs of an industrial order attempting through painful experience to find itself and to discover its proper functioning. The true role of industrial groups, however, is to come together, to legislate in peace, to find the way forward in collaboration, to give of their best for the satisfaction of human needs. There must come to industry the orderly functioning that we have been able to develop in our political life. We must find the way to the development of an industrial franchise comparable to our political franchise. There must be developed a sense of responsibility and justice and orderliness."[16] Two years later, in 1925, William Green, President of the Federation, announced that "the antagonistic and hostile attitude, so characteristic of the old order in industry, must be supplanted by a friendly relationship and a sense of obligation and responsibility. This is the newer concept of Modern Trade Unionism. In expounding this philosophy I am conscious of the fact that there are employers of labor (so-called Captains of Industry) and workers in industry (so-called members of the proletariat) who take

[15] Concrete gains through union-management cooperation are discussed in Chapter IX.

[16] *Industry's Manifest Duty*, a pamphlet, p. 5. Washington: American Federation of Labor, n. d.

sharp issue with the views here expressed and the conclusions reached. That is to be expected. It is both logical and natural. . . . During the formative period organized labor relied almost solely upon its economic strength, while today it places immeasurable value upon the convincing power of logic, facts and the righteousness of its cause. More and more organized labor is coming to believe that its best interests are promoted through concord rather than by conflict. It prefers the conference table to the strike field."[17] The conference table, indeed, is by no means a novelty in trade union circles. For a good many years, the rules and regulations governing labor relations in certain American industries have been formulated, interpreted, and enforced through the conference method, by union joint councils. Dean Earl J. Miller, of the University of California, describes the work of these councils in his excellent volume on employee representation.[18] A few extracts from this book will make clear the nature and functions of these councils.

Union Joint Councils

Dean Miller gives examples of three types of union joint councils. First is the Joint Council to Form Trade Agreements. It consists of representatives of employers and employees, and is "essentially a legislative body determining general rules and regulations which will govern all phases of industrial relations dealt with by the agreement."[19] These rules and regulations, as has been seen, relate to wages, hours and various conditions of employment. "The process of bargaining which takes

[17] William Green, *Modern Trade Unionism*, a pamphlet, pp. 6, 10, 11. Washington: American Federation of Labor, 1925.

[18] This is entitled *Workmen's Representation in Industrial Government*, and has already been referred to. No student of labor relations can afford to overlook this book.

[19] Miller, p. 141.

place in such bodies is very similar to the procedure in the legislative assemblies of democratic states or nations, where representatives of various groups and interests strive to look after the interests of their constituencies. In all cases, these industrial legislative groups are composed of representatives of the employers and of the workers involved. The workers' representatives are usually their elected officials or especially elected committees. The employers either attend in person or appoint or elect representatives. This description applies whether the agreement is local, district, or national in scope. The large majority of trade agreements in the United States are local in character and are made by local union representatives and employers." [20]

The second type of council is the Local Union Joint Council, which has for its function "the local application of trade agreements. This is largely a matter of settling all disputes which arise between the local parties to the agreement. . . . Such bodies are expected to make all adjustments that may be necessary to insure a fair and just interpretation of the spirit and letter of the trade agreements in applying them to the local or individual situation." [21] Finally, there are Constructive National Joint Councils, created for the purpose of formulating general trade policies, studying and reporting upon any legislative action that might affect the industry, encouraging research and invention, suggesting better management methods, providing uniform arbitration agreements for the trade, establishing a spirit of good-will and cooperation between men and management, and, in short, considering any and all matters of general interest to the industry. Dean Miller outlines the activities of the three national joint industrial councils in the printing and electrical industries in the United States, and arrives at the conclusion that "where employers frankly

[20] The same, pp. 142–43.

[21] The same, p. 145.

recognize and deal with the unions on a permanent basis and in good faith, joint councils may be established, wherein constructive cooperation may be realized." [22]

Gains through Joint Conferences

It would be idle to maintain that all has been peace and quiet in those industries which have adopted union joint councils for the determination of working relations between employers and employees. Ernest R. Burton, who is a firm believer in joint councils, whether of the union or non-union type, feels that the spirit of "mere bargaining," and not of cooperation, has usually dominated the meetings held by *union* joint councils in the United States.[23] There is doubtless a good deal of truth in the indictment, for one could scarcely expect the workers to seek first the interests of the employers, or *vice versa*. Such a display of sacrifice need not be looked for in labor relations so long as the struggle philosophy holds sway in social affairs generally. It cannot be denied, however, that joint conferences have brought great improvements in employer-employee relations, not only in the printing and electrical industries, already mentioned, but also in the clothing, building, and stove-molding trades, in the glass-bottle, window-glass, and pottery industries, in some of the great railroad systems, and so on. If battles of words have not been eliminated, it is surely an advance that strikes in some of these industries have been reduced to a minimum, and that system and order have taken the place of chaos. Perhaps in no trade has the change been more pronounced than in that of stove-molding. Under non-union conditions, the molders worked ten, eleven, and twelve hours a day. Extra work was not paid for at overtime rates, and sometimes

[22] The same, pp. 149–58.

[23] Ernest R. Burton, *Employee Representation*, p. 27. Baltimore: Williams and Wilkins Co., 1926.

was not paid for at all. The molders had no part in drawing up shop rules and regulations. There was no minimum wage; but there were "pace-setters," who, in return for pay slightly higher than the usual wage, set a pace that for most workers was excessive but was none the less required. Those were the days when an expression of dissatisfaction with shop conditions meant instant discharge.[24] They were also the days when, in some part or other of the stove industry, there was almost always a strike or lock-out in force; and in several cases they were country-wide. Finally, after thirty-five years of bitter warfare, peace was declared, and a committee of twelve (six employers and six workers) was given control of terms of employment—hours, wages, and working conditions—including shop rules and regulations. Questions were thereafter settled by majority vote of this committee, and the results have been so satisfactory that there has not been a strike in more than twenty-five years.[25] This is, of course, an exceptional illustration of gains through collective bargaining. But this and other instances of the conference method in industrial relations (which is the basis of all plans of so-called "industrial democracy") emphasize two points that should not be lost sight of. The first is that representation through joint councils is not, as some have supposed, a recent creation; the second, that joint councils may be relied upon to produce good results, if the workers have complete confidence in the integrity of the employer and feel that their rights as industrial citizens are being properly safeguarded.

[24] International Molders' Journal, November, 1919, pp. 902–3.

[25] Most of the facts here presented are borrowed from an article reprinted in *Problems of Labor,* by Daniel Bloomfield, pp. 42–6. The article is by John P. Frey, of the International Molders' Union, and appeared originally in the *Metropolitan Magazine,* November, 1919, under the title, *What Labor Really Wants.*

Extent of Unionism in the United States

American Federation of Labor

A few facts may now be given as to the extent of union organization in the United States. The Bureau of Labor Statistics, in 1926, reported that there were 4,443,523 organized workers in this country. Of this total, 3,383,997 were affiliated with the American Federation of Labor, and 1,059,526 with other organizations.[26] It is not claimed for these figures that they are strictly accurate. Indeed, there is great difficulty in compiling satisfactory trade union statistics, due largely to reticence on the part of the unions themselves. They are especially likely to object to the publication of membership data, whenever such information would seem to indicate a waning interest in unionism. This has been the case since 1920, the year in which trade union membership reached a level that has not since been attained. The figures in Table I are based on dues-paying membership, and differ slightly from the Department of Labor estimates, but they are useful in showing fluctuations in numbers over

TABLE I

ESTIMATED NUMBER OF DUES-PAYING MEMBERS OF THE AMERICAN FEDERATION OF LABOR, 1916 TO 1927

(*World Almanac*, 1928)

1916	2,072,702	1920	4,078,740	1924	2,900,000
1917	2,371,434	1921	3,906,528	1925	2,878,297
1918	2,726,478	1922	3,195,635	1926	3,303,966
1919	3,260,068	1923	2,926,468	1927	3,312,526

[26] *Handbook of American Trade-Unions*, Bulletin 420 of the United States Bureau of Labor Statistics. Washington: Government Printing Office, 1926. The compilation includes only "bona fide labor organizations," which are groups of wage or salaried workers "organized for the purpose of employing economic or political pressure to improve the material condition of its members" (p. 1).

a twelve-year period. It should be borne in mind that the actual membership is greater than the dues-paying membership.

The steady growth in numbers from 1916 to 1920 may be attributed in part to the general excellence of business conditions, a state of affairs which usually stimulates wage-earners to join unions, in the hope of securing for themselves, by concerted action, a goodly share of the prevailing prosperity. But there were other factors contributing to the speedy unionization of the workers. Two of these were the definite attempt of employers to secure the cooperation of their employees, and the prevalence of "cost-plus" contracts which made employers rather indifferent to high wages and consequently to unionization. The five-year period following 1920 was a trying one for the American Federation of Labor, as is shown by the continuous loss of members. Factors contributing to this loss were the serious business depression that came shortly after the close of the war, the open shop campaign conducted by employers' associations, and perhaps the progress made by the employee representation movement. In 1925, however, the downward trend was stopped, and the gain of a half-million members in 1926 has since been held and even added to slightly. With a membership twice that of 1910, and about six times as great as in 1900, the American Federation of Labor can scarcely complain of having been treated badly by fortune in the first quarter of the twentieth century.

Non-Federated Unions

Members of the Federation are sometimes referred to as "the aristocrats of labor"; but this designation is used to set them apart from the great host of unorganized and relatively unskilled workers, rather than from the membership of those organizations not associated with the American Federation of Labor. Certainly, it would

be hard to find in the whole field of labor a more intelligent or better disciplined group of workers than those composing the four great railroad brotherhoods. The "Big Four" (as they are popularly called) had a membership of 435,000 in 1926, divided as below:[27]

Order of Railway Conductors of America	60,000
Grand International Brotherhood of Locomotive Engineers	88,200
Brotherhood of Locomotive Firemen and Enginemen	106,800
Brotherhood of Railroad Trainmen	180,000

The Amalgamated Clothing Workers of America, with a membership of 150,000, is another important non-federated group. Through trade agreements negotiated by local joint councils, and supplemented by the "impartial chairman" system of arbitration, this union has figured prominently in the changes that have taken place in the men's clothing industry, resulting in the substitution of sane industrial law for the law of the jungle.[28] The Industrial Workers of the World is a very different type of union, seeking to precipitate the battle rather than to make peace with the enemy. It is outspoken in its desire to organize the workers into "one big union"; and (quoting the preamble to its constitution) to "take possession of the earth and the machinery of production and abolish the wage system." Its members are largely the itinerant harvest hands and lumber workers of the West, and number about 30,000. Other labor organizations not connected with the American Federation of Labor have a total membership of some 450,000; but they are not of sufficient importance individually to warrant special mention.

[27] The figures quoted in the present paragraph are taken from the *Handbook of American Trade-Unions.*

[28] It is an interesting fact that the Railroad Brotherhoods and the Amalgamated do not operate on the closed shop principle, and yet have organized so successfully that virtually all workers in their respective trades are union members.

The Unionized Industries

Several years ago, Professor George E. Barnett delivered an address in which he presented some interesting data as to the strength of trade unionism in fifteen industrial groups.[29] His analysis showed that nearly 25 per cent. of all unionized workers in the United States are employed in the field of transportation, and that 35 per cent. more are almost equally divided between the building trades and the metal, machinery, and ship-building trades. If mining and quarrying, with 8.5 per cent, and the clothing industry, with 7.4 per cent, are added, more than three-fourths of the organized wage-earners in the country are accounted for. With a few exceptions these percentages have probably been affected but slightly since 1920, despite changes in absolute numbers in many unions. They give an idea of the part that certain industries play in the trade union movement, but none whatsoever of the importance of unionism in individual industries. The miners, for example, make a brave showing in trade union statistics, and yet only about one-half of the mine-workers are organized. Fewer than one-tenth of the 800,000 operatives in textile mills belong to trade unions, and only about three-fifths of the great army of railroad employees are union members. In the manufacture of iron and steel, automobiles, and electrical goods, unionism has made very little headway. These, of course, are industries in which the great bulk of the workers are unskilled or semi-skilled, and for them there has been little or no place in American unionism up to the present time. It seems probable that not more than one-fourth of the industrial workers of the United States are connected with labor unions. There are several instances of "industrial unionism," which aims to organize into a single unit all of the workers in a given industry—un-

[29] The address was printed in *American Economic Review*, Supplement, March, 1922, pp. 44–55.

skilled, semi-skilled, and highly skilled; but unionism in this country is built predominantly along trade or craft lines. This, indeed, is a situation that may have serious consequences. The development of improved technique, which has taken place to a marked degree during the past half-dozen years, renders management less dependent upon skilled labor than it has been in the past. Particularly in the large-scale industries the high degree of specialization being employed permits the use of unskilled workers who can be trained in a few days or weeks to perform their simple tasks. These unskilled workers are without union background or discipline. Neglected by orthodox unionism, they are either wholly unorganized or are being brought under the influence of employee representation with disconcerting rapidity. The trade unionists recognize the danger, and are taking measures to meet it. The most promising of these measures will be discussed in a later chapter. For the present, we may note that Robert W. Dunn, an earnest and convincing spokesman for unionism, has advocated industrial unionism as one means of lessening the ill effects of the nonunion invasion.

CHAPTER II

UNIONISM AND THE PUBLIC WELFARE

Thus far, we have been looking at unionism mainly from the trade union point of view, and have outlined in brief form the objectives of the unionists, the means being used to gain these objectives, and the present strength of trade unionism in the United States. It will now be well to inquire into the social effects of unionism, and to ask whether trade union policies and practices are incompatible with public welfare, as some have charged. Final answers to all of the questions raised must not be expected, but it will be possible, at least, to state the points at issue. A fact to be borne in mind from the outset is that the organized workers themselves, together with their dependents, constitute an important part of the public. In view of the relatively high birth-rate in the wage-earning groups, it is probable that the four and one-half million unionists and their families comprise fully one-fifth and perhaps as much as one-fourth of the total population. It is a well-known fact, moreover, that the lot of non-unionists is often greatly bettered through union activities; for example, non-union wages are raised in some industries whenever wage advances are demanded and won in the unionized portions of the trades. Consequently, any labor action that benefits the trade unionists is pretty certain to benefit also a large part of the general public, into whose welfare we are now inquiring.

Analysis of the Closed Union Shop

No feature of unionism has been more bitterly assailed than the closed union shop. No anti-union article or speech would be complete without reference to this "un-American" institution, and it has been the specific object of attack in the violent open shop campaigns of the Chamber of Commerce of the United States and the National Association of Manufacturers. The unions hold that the closed shop is not un-American; that on the contrary it is essentially a democratic, one-hundred-per cent-American type of organization. What could be fairer, they ask, than that all workers enjoying the benefits gained through unionism should be required to aid in defraying the cost of these benefits? They urge that non-union workers should not expect to share in the increased wages and shorter hours that are won through the struggles of the unionists, often at great sacrifice. Hence, they insist that persons seeking work in shops operating under union conditions must first join the union, and thus, through the payment of dues, help to bear the costs of union gains. A second reason for the closed shop is that without it effective unionism is almost out of the question. There have been strong unions on the open shop basis, no doubt, but there is grave danger, if union membership is optional, that a gradual loss of members will eventually bring the union to a state of impotence. Why, indeed, should one pay dues if he may enjoy equally good working terms without such payment? Many a union, having generously started out on the open shop basis, has been so weakened by membership losses that only a prompt adoption of the closed shop has saved it from extinction. And it is not a question of the workers regarding the union as unnecessary; it is simply an evidence of the very human tendency, amply apparent in the field of taxation, to let others bear the burden of collective action, particularly in the absence of an emer-

gency. The closed shop, in most cases, is vital to the continued existence of the union.

Exclusion of Non-Union Workers

The usual charge against the closed shop is that it is unfair and un-American, because it denies to a non-union man the right to work where he will, and to the employer the privilege of hiring a non-union worker. The indictment, if true, would be a serious one; but, fortunately, it is not true, except in those rare cases in which the closed shop is combined with the closed *union,* rigidly enforced. If an employer wishes to engage a non-union man, all that the closed shop requires is for the worker to join the union; and if a non-union man wants to accept a proffered job in a closed shop, he has only to take out union membership and the coveted position is his. To urge that this procedure causes great hardship to either employer or worker seems rather absurd—on a par, let us say, with a protest against a child labor law on the ground that such legislation encroaches upon the rights of children. What the champions of the open shop appear to have overlooked, as a rule, is the fact that the closed union, and not the closed shop, is the real source of danger.

Limitation of Membership

For the closed union, as we have seen, is an attempt to keep the price of labor up by keeping the supply of labor down. The practice is by no means confined to labor circles, but may even be detected, without great difficulty, in the so-called learned professions. The examinations to be passed for admission to the bar, for a license to practice medicine, and for degrees which make one eligible for the better-paid positions in the field of college teaching, are becoming more and more strict.

The effect is that some candidates become discouraged and quit, while others fail to meet the requirements; the annual crop of lawyers, doctors, and teachers is smaller than it would be if the rules of the game were less stringent, and competition in these professions is consequently somewhat less severe. The limitation of numbers is explained on the ground that we need better-trained practitioners in these several fields; and so, of course, we do. But this is precisely the argument used by the advocates of the closed union. Apprentices must be few, so that they may be thoroughly trained; examinations for admission to the union must be rigid, so that high standards may be maintained. Thus far, the justification for restricted numbers seems to be just as great in the field of labor as in the professions. But there is a further fact to be noted. In the case of the professions, the limitation of numbers will soften competition, but will not destroy it entirely, since professional men bargain individually; but members of a closed union, bargaining as a unit, are in a strict monopoly position, and may be able to profit handsomely at the expense of the public. Since the closed union is, in effect, a monopoly, it will naturally be condemned by those who believe monopoly control and monopoly price to be unsocial.

Possible Effects upon Wages

But the closed union is so completely discredited, even among labor leaders, that it need not hold our attention longer.[1] It is in connection with the *open* union that the closed shop is ordinarily found, and in this combination it should be judged. Viewed in this relationship, with what crimes may the closed shop be charged? Surely not with raising wages through the limitation of numbers, since the open union feature prevents the exclusion of any

[1] See H. E. Hoagland, *American Economic Review*, December, 1918, pp. 752–62.

worker who is acceptable to an employer. The open union is capable of indefinite expansion, so that there is no possibility of restricting, by union action, the supply of labor available in the trade. Nor is there any likelihood of an open union and closed shop forcing an extortionate wage through monopoly control of the total supply of labor. If abnormally high wages should be secured in this way, it could be but temporarily, since they would inevitably attract more workers to the trade. Wages would then have to come down, unless ways and means were devised for selling only a part of the labor supply at a very high rate, dividing the income equally among *all* union members; for none would be willing to go unpaid or to take a smaller wage than any other member. It is unlikely that this arrangement would bring the "greatest net return" that is sought by the intelligent monopolist. In the long run, at all events, the continual influx of fresh recruits would gradually reduce the margin of monopoly profit, and eventually wipe it out entirely; and the normal wage would again prevail.

The Closed Shop and Effective Collective Bargaining

The chief offense of the closed shop, and one with which it may properly be charged, is that it contributes to the effectiveness of collective bargaining. Many of the blows directed at the closed shop are in reality attempts to shatter the whole structure of collective action by the workers, and to set up individual negotiation in its place. The substitutes usually proposed for the closed shop testify to this fact. Many employers are willing enough to have both union and non-union men in their employ, refusing, however, to have any business dealings whatsoever with the union. But of what earthly use is membership in a group that is not permitted to exercise the very function for which it was organized? The impossibility of keeping a union alive under such conditions

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is obvious. Some employers, as has already been suggested, cannot bear even the sight of a unionist, and hire only non-union men; and still others go so far as to require of their employees written agreements not to join any labor organization. Needless to say, an establishment thus operated is a closed *non-union* shop, even though, for purposes of publicity, it may be called by a sweeter name. We may hold over, for detailed treatment in another chapter, the trade union accusation that the employee representation movement is anti-union in motive, and is designed to wipe out strong collective bargaining and to put weak company unionism in its place. Our conclusion, up to this point, is that the closed shop, when maintained by the closed union, is wholly indefensible; that in combination with the open union it is not subversive to public welfare; and that many of the attacks on the closed shop are aimed in reality at the institution of collective bargaining.

Impartial Estimates of Collective Bargaining

An unbiased judgment on the social justification of collective bargaining could scarcely be expected from the unionists, whose material interests are so deeply involved, nor yet from the employers, whose views on unionism range all the way from hearty approval to bitter hostility. But representatives of the general public, the "third party to industrial controversy," should be able to give an impartial opinion, since their personal interests are not so directly affected. Chief Justice Taft has already been quoted as a supporter of collective bargaining, as providing a nearer approach to justice than can be hoped for without it. Walter Lippmann says: "Without unions industrial democracy is unthinkable. Without democracy in industry, that is where it counts most, there is no such thing as democracy in America."[2] Pro-

[2] Walter Lippmann, *Drift and Mastery*, p. 81. New York: Mitchell Kennerley, 1914.

fessor Seager believes that "So long as the profit-seeking exploiter type [of employer] predominates, our preference must be unqualifiedly for the fighting trade union."[3] Sir Henry Thornton, President of the Canadian National Railways and therefore in the employer class, states that "collective bargaining is just as essential to the welfare of the employee as associations of capital are necessary and useful to the investor."[4] Finally, many of the great churches have gone on record as approving collective bargaining. Typical pronouncements of this kind are those of the National Catholic War Council, expressing the hope that the "right of labor to organize and to deal with employers through representatives . . . will never again be called in question by any considerable number of employers"; and of the Board of Bishops of the Methodist Episcopal Church, saying: "We favor collective bargaining, as an instrument for the attainment of industrial justice and for training in democratic procedure."[5] It may be added that, among students of labor in general, the closed shop (when maintained by the open union) finds little or no opposition, since it is regarded primarily as an instrument for the enforcement of collective bargaining.[6]

Restriction of Production

Among the anti-social acts with which unionism has often been taxed is the limitation of output. The case against the closed union is based largely upon its power to restrict production. By keeping down the number of

[3] *American Economic Review*, March, 1923, p. 11.

[4] *Bulletin of the Taylor Society*, February, 1926, p. 27.

[5] These and similar declarations by church organizations are quoted in W. Jett Lauck, *Political and Industrial Democracy, 1776–1926*, pp. 27–38. New York: Funk and Wagnalls Co., 1926.

[6] See, for example, F. W. Taussig, *Principles of Economics*, 3d Edition, Vol. II, p. 305. New York: The Macmillan Co., 1922.

workers in a trade, wages are raised for those lucky enough to get in. These high wages are probably reflected in high prices for the product, and the high prices put the commodity beyond the purses of some members of society. The union practice of standardization of wages and hours may have the same result, for the natural effect of increasing wages or shortening hours is to raise unit costs of production. This is not inevitably the case, of course. Henry Ford claims that the payment of higher wages brought lower instead of higher costs of production; and other employers testify to the fact that an eight-hour day may bring as great output as one of ten hours. But it is doubtful whether the universal adoption of a policy of high wages and short hours would result in a general lowering of unit labor costs. Exceptionally brilliant management seems to be essential to the performance of this sort of industrial miracle. It is generally believed, therefore, that by setting minimum wage rates and dictating short hours of work, the trade unionists have made progress at the expense of the general public, of which they, of course, form a part. But they would justify their wage increases on the ground that they deserve a *good* standard of living, beyond which very few union workers have progressed; and as for the eight-hour day, they need only refer to the human wear and tear of modern, high-pressure industry. Labor's defence is that a public should expect to pay for its products enough to enable the workers to live comfortably; and that society cannot afford to scrap its industrial workers after a short period of long working-days, when, by adopting a day of reasonable length, it might enjoy their services for a great many years. Just what constitutes fair wages and fair hours remains to be determined, but it would be difficult to prove that the wages and hours thus far won by the trade unionists are more favorable than those to which American workers should aspire.

Restriction to Avoid "Speeding Up"

The adoption of a "standard day's work" is often criticized because of its influence upon production and consequently upon commodity prices. Obviously there are wide differences in the capacities of workers, some being able in an eight-hour day to turn out with ease a fifth or a fourth more work than others. Why, then, should the speedy worker be required to slow down to the quantity prescribed by agreement of the workers? Most persons would doubtless reply that the practice is anti-social and should not be permitted. When an attempt is made to justify this type of restriction of output, it is usually on the theory that if the workers themselves do not establish a standard day's work, the employer will do it for them. If left to the employer, it is claimed, the stint will be based on the output of pace-makers, and will be entirely unreasonable for the majority of the working force. If it were suggested that this difficulty could be obviated by the use of piece-wages instead of time-wages, the answer is that pace-setting is not confined to time-wage conditions, but may occur in piece-work through a system of speeding-up, accompanied by occasional readjustments in the piece-rate. It is to prevent the use of such unfair tactics that some trade unionists believe in the establishment of a "reasonable" standard day's work, and defend it as thoroughly justifiable. But not all. Not a few labor leaders, both British and American, denounce openly all limitation of output by agreement, and perhaps most union officials would disclaim knowledge of restriction of this type actually being practiced. But this professed spirit of the leaders, which for the most part is probably sincere, has apparently not as yet permeated to the rank and file of the workers. Certainly, in most trades there seems to be a rather clear notion as to the quantity of production that makes up a

"day's work," and those who greatly exceed this amount are frowned upon.

Restriction to Lessen Unemployment

A good deal has been written about the so-called "lump of labor" theory, upon which labor seems so often to act. Critics of unionism never tire of explaining that it is fallacious to suppose that there is a fixed quantity of work available, and that workers who limit production to prolong the job and prevent unemployment are poor, deluded souls who are in reality injuring themselves by lessening the total product of society. The critics are undoubtedly right when they refer, as usually they do, to long-run phenomena. But the worker is not interested in long-run economic theories, the workings of which he may not live to see. His interest in economics is a very materialistic one. What he is concerned about is what next month or next year will bring forth. He has probably lived through at least one business cycle as a wage-earner, and has observed that a period of "more and more production" may be followed by one of depression and unemployment. If, by adherence to the lump of labor theory, he lessens unemployment for himself, he can scarcely be accused of stupidity. And, by refusing to exceed the standard day's work, he may even promote the social good, through slowing up a trifle an industrial machine that seems periodically to get beyond control and endanger all who are dependent upon it.

Opposition to New Machinery

Labor's attitude toward the introduction of new machinery and new processes has been in the making for many years. Going back in industrial history, we observe, in the very infancy of machine production, an antagonism to labor-saving machinery that has often

resulted in bloody struggle. The introduction of the power loom, it will be recalled, brought a storm of protest from the hand weavers that resulted in the breaking of both looms and heads. It may be questioned whether a new labor-saving device has ever been accepted by the workers without a struggle. The fact that it is *labor-saving* is of itself sufficient to set the workers against it. And naturally enough. One can hardly be expected to welcome the coming of a machine which will render useless a skill developed over a long period of years. This skill is, in most cases, the worker's sole stock in trade; and he is just as anxious to keep it at work as the employer would be to save *his* business in the face of threatened competition. But economic progress and industrial advance demand that improved machinery and better technique shall be brought into service whenever they will result in lower costs. The workers in the glass-bottle industry suffered two wage reductions of 20 per cent. each, due to the introduction of the Owens bottle-making machine, but the public has had the benefit of cheap bottles. Recent progress in technique has enabled a Philadelphia metal-working plant to dispense with all but four of a force of 150 highly skilled workers; the work of the experts who were released is now being done by relatively untrained men. It takes but few instances of this kind to show labor how devastating may be the effects of new machinery or new processes. As union standards are threatened, the temptation is strong to fight to the finish. Many unions have pursued this policy. The Journeyman Stone Cutters' Union, for example, has not only opposed violently the introduction of the planing machine in certain areas, but has even tried to prevent the shipment of machine-planed stone from those sections of the country in which the machine has been adopted.

This attitude of opposition is understandable, but union opposition to new machinery cannot prevail, as

experience has demonstrated time and again. Applied widely and effectively, a policy of this kind would mean tremendous loss to all members of society for the benefit of comparatively few. If labor is not justified in benefiting thus at the expense of the general public, no more, of course, is management. There are frequent rumors, sometimes well substantiated, of patents being bought and smothered, at least temporarily, so that employers may not be put to the painful necessity of discarding machinery rendered obsolete by new inventions.[7] This practice is on a par with union opposition to new machinery, and is similarly indefensible, since it leads to the curtailment of production.

Resistance to Scientific Management

Union resistance to scientific management, like nearly every policy that has been adopted by trade unionism, has been endorsed by some and condemned by others. One of the fairest and least impassioned inquiries into the social consequences of scientific management is that of Professor Hobson.[8] In studying the effects of industrial methods upon human welfare, he has found it helpful to consider scientific management as following two lines of procedure. The first is an attempt so to improve the physical working conditions and technical equipment as to make possible more and better production without any additional effort on the part of the workers; the second consists of the introduction of such devices as motion study and time study, which prescribe the manner in which a given task shall be done and the time allotted to its completion. For the application of the scientific method to the physical plant, Professor Hobson

[7] Several interesting examples of the suppression of patents, with harmful consequences to society, are cited by Floyd L. Vaughan, *Economics of Our Patent System*, ch. VI. New York: The Macmillan Co., 1925.

[8] J. A. Hobson, *Work and Wealth*, pp. 202–27.

has nothing but praise; and this, in general, is the attitude of labor leaders. Mr. Taylor's thorough study of cutting tools and speeds at which they should be used brought gains without ill effects; and the same is true of the many improvements in lighting, ventilation, routing, and so on, that have been brought about by scientific management. But when it comes to time study and motion study, Professor Hobson fears possible injury to the workers. The strain of keeping pace with a machine operated at high speed, the loss of individual initiative resulting from always following carefully detailed instructions, and the increased monotony accompanying the more complete specialization of labor, are dangers that must be watched carefully, lest they bring great and irreparable injury to society. It is Professor Hobson's feeling that not until three important questions are answered satisfactorily can scientific management properly be endorsed by those interested in the attainment of human welfare. The questions are these: What is the effect of this policy upon the human costs [wear and tear] of labor? How far will any increase of human costs of labor be offset by the greater human utility [genuine, not imaginary, utility] of the higher wages they receive? How far is any balance of human costs, which is imposed on special classes of producers, compensated by the increased wealth at the disposal of society at large?[9]

Maintenance of the "Principle of Uniformity"

Trade union opposition to scientific management rests partly upon its possible ill effects upon individual well-being, but in addition, and perhaps chiefly, it is motivated by the fear that the general adoption of scientific management would destroy the very foundation upon which

[9] The same, p. 209.

trade unionism is built.[10] Unionism depends very largely upon the principle of uniformity in all important matters, and seeks to establish standards in hours, performance, and wages, which will prevail throughout the trade. But scientific management tends to break down standards and to set up distinctions between workers. While emphasizing the desirability of uniform conditions of work, once the best practice has been determined by experiment, and while demanding that all workers follow exactly the procedure decided upon as best, scientific management does not expect the workers to do exactly equal amounts of work or to receive equal pay. On the contrary, by the use of incentive wage systems, each worker is induced to do his utmost in the matter of production, so that his wage may be correspondingly high. The dangers of pace-setting will be apparent; and there is the possibility that wage rates will be revised downward if it is discovered that many workers are earning much more than has been customary in their craft. Some employers agree not to reduce wage rates unless and until there is a radical change in machinery or process; but these assurances are not always considered adequate protection. However, whether new and lower rates are established or not, appreciable differences in wages are bound to weaken the bond of common interest that holds together those similarly situated. For example, in a scientifically managed plant employing one hundred machinists, fifty making $4.00, thirty $5.00, and twenty $6.00 a day, there is much less chance of securing concerted action to raise the wages of the $4.00 men to $5.00, than there would be if all were working at a straight $4.00 a day wage.

In this and other matters, scientific management is likely to cause a division of interest among the workers, and thus prevent that unanimity of action which is so essential to trade union success. But it may go still

[10] See, in this connection, R. F. Hoxie, *Trade Unionism in the United States*, pp. 326–48. New York: D. Appleton & Co., 1917.

further and destroy the craft itself, for scientific management finds it possible in some instances to divide and subdivide tasks so completely as to bring them within the performance of almost anyone, with very little training or practice. This is but one more step in the leveling process being effected by the increasing use of machinery, "the iron man," in industry. In attempting to halt the movement, trade unionism is uncompromising and outspoken in its opposition to certain phases of scientific management. Whether this opposition is socially desirable or undesirable depends upon the answers, not yet forthcoming, to Professor Hobson's questions, and upon the social value of the institution of collective bargaining.

Restriction and the Public

Restriction of output is a serious matter, regardless of the means by which it is accomplished. In the abstract, it is clear that there should be no interference with the productive process; but, confronted with a concrete situation, the proper course of action may not be so plain. Those who practice restriction, if they bother to explain their action, never fail to describe it as a defensive measure. Perhaps it is an attempt to ward off the specter of unemployment, by making the job last longer than it would need to last if work were plentiful; or it may be an effort, in the presence of a new industrial development, to maintain established standards of living. This is not, of course, a justification of restriction. Possibly no justification is possible; and perhaps, since capital as well as labor has practiced restriction of output, justification is not necessary. Professor Commons suggests that "No one can squarely defend all of the restrictive policies of unions, but if they are carefully examined, as we have tried to do, they will be found to be not so very different from the restrictive policies of employers

and of non-unionists. In all cases these policies have their source in the knowledge that there is not, at all times, enough work to go around, which is but saying there are not, at all times, enough markets to take all of the work at fair wages and profitable prices."[11] So far as labor is concerned, it seems that we might solve the problem of restriction, in part at least, by taking effective social action for the reduction of unemployment, and also, perhaps, for lessening the hardships imposed upon certain groups of workers whenever there is a sudden and important change in industrial technique. Labor's fear of unemployment, as Professor Commons points out, results in "a curious paradox. In good times, when there is a shortage of products, labor enlarges the shortage by working slow, but in hard times when there is a surplus of products, labor enlarges the surplus by working hard. This is not good business, from any standpoint, and it is because management has not learned how to utilize hope and security for purposes of discipline in place of fear of unemployment."[12]

The Strike and Social Welfare

The strike is doubtless the most roundly condemned of all union devices. Due to the fact that a strike seldom lasts long, it may not result in as great loss as that brought about by firmly entrenched, smoothly functioning policy of restriction of output. But it is conducted in the open, it is frequently full of dramatic features, and it provides many of the thrills that go with any closely contested battle. Because of a widespread interest in strikes, they are usually given extensive publicity. Strike items make good newspaper copy, and the public-spirited editors of our metropolitan papers are often moved to comment upon the tremendous material losses,

[11] Commons, p. 265.
[12] The same, p. 269.

great inconvenience, and possible violence that the workers have inflicted upon the public in calling and continuing the strike. When an employer employs the "lockout," he is just as much the aggressor as is the union in declaring a strike, but the effect upon public opinion is by no means the same. In the lockout the employer quietly closes his doors and waits for the workers to come to terms; in the case of the strike there is necessity for meetings, parading, and picketing, and the average person gets an impression of a group of unionists actively fighting their employer, and probably injuring the public, in order to gain their selfish ends. Whether the motive is to improve wages or conditions, or simply to hold fast to those already gained, the picture is much the same. The fact that the police usually line up on the employer's side, presumably to protect property and preserve order, again lends color to the notion that labor is fighting not only the employer but an innocent public as well. Whether the public is really innocent and deserving of sympathy is not fit matter for generalization, but there is much to be said for indicting any society that is content to consume goods produced by labor that is so poorly paid that it cannot buy for itself a comfortable standard of living. There are doubtless strikes which, in justice to all, should never have been called; but it is equally certain that many of the strikes that take place are desperate attempts to win terms of employment that cannot fairly be called excessive. And possibly one-fourth to one-third of the strikes in American industry are waged for recognition of the union and the right to bargain collectively.

Economic Significance of the Strike

But there is no gainsaying that strikes are costly, even though the losses attributed to conflict of this kind are often greatly exaggerated. The employers, of course,

lose their profits during the period of strike, and the workers their wages. Figures indicating the extent of such losses must be regarded merely as estimates, and in some instances they come pretty close to being guesswork. This is particularly true in statistics of employers' losses. And yet they are at least suggestive of the great waste involved in industrial warfare. According to the United States Bureau of Labor,[13] the strike losses of employers in the twenty years from 1881 to 1900 amounted to some $125,000,000, while those of labor in the same period were about $40,000,000 greater. In more recent years, our strike bill has been much larger. This is due not only to the greater prevalence and longer duration of strikes but also to the fact that they are now fought on a much grander scale. Industrial warfare, like military warfare, is making rapid progress and becoming increasingly expensive. Professor Furniss has shown that strikes were six times as frequent in 1915–1921 as in 1881–1885, that fourteen times as many workers took part in them, and that the length of the average strike has increased 27 per cent. in forty years.[14] Even more startling is the calculation that the average number of days' work lost each year through strikes increased seventeen-fold from 1881–1885 to 1915–1921, mounting from 2,814,913 to 50,241,657 in the four decades. The figures for 1915–1921 are swollen by the inclusion of the year 1919, which was troubled by an exceptional number of industrial disputes, resulting in losses estimated by one writer to total two billion dollars,[15] $725,000,000 of which represents wages that would have been paid wage-earners had they remained at work, and $1,250,000,000 the loss borne by the employers. It is sometimes urged

[13] Sixteenth Annual Report.

[14] Edgar S. Furniss, *Labor Problems*, p. 425. New York: Houghton Mifflin Co., 1925. Professor Furniss has made use of statistics gathered by Professor Paul H. Douglas.

[15] Hammond and Jenks, *Great American Issues*, p. 99. New York: Charles Scribner's Sons, 1921.

that labor is very foolish to go on strike and thus lose wages which it might otherwise enjoy. But, from the point of view of self-interest, labor is probably abundantly justified in resorting to the strike when the occasion seems to demand its use. The fifty million working days lost in a single year do not make so impressive a showing when divided among the four and one-half million trade unionists. Of course, they are not in actual practice so divided. But the truth is that the average strike lasts but twenty-nine days, and a 10 per cent. wage increase is sufficient gain to compensate, in less than a year, for the loss sustained through enforced idleness. Moreover, the prestige of the whole trade union movement is enhanced whenever a group of workers succeeds in enforcing its demands. In many trades, it may be noted, the loss of time suffered through strikes is only a fraction of that lost through involuntary unemployment, due to peculiarities of trade conditions or, in some cases, to poor management.

Hardships Caused by Strikes

Strikes usually cause a good deal of inconvenience, and sometimes even real suffering, to consuming members of society. In an industrial world as closely knit together as ours, it is almost inconceivable that goods or services of any description could be withheld from the public for any appreciable length of time without some disadvantage to would-be consumers. The fact that goods are ordinarily produced is evidence enough that they are needed, or at least wanted. In some instances, the inability to secure goods or services to which one is accustomed does not have serious consequences. This was true in 1919, when the strike waged by the Actors' Equity Association closed virtually all of the New York theatres for a month; and, more recently, in the case of a strike through which a group of millinery operatives

in Philadelphia sought to improve their lot. But the railroad strike of 1922 brought all sorts of ill effects, ranging from trains delayed a few minutes or many hours, to trains wrecked, it was alleged, through the inefficiency of strike-breakers. The coal strike of 1925-26 forced thousands of householders, who could not obtain their customary allotment of anthracite, to burn coke or buckwheat coal, and still others to go without sufficient fuel of any kind. And the strike of the Boston police, which had its part in the making of a president, impressed upon the country at large the vital importance of uninterrupted service in certain branches of public work. The social cost of strikes, then, consists of the loss of all goods and services resulting from the stoppage in work, together with all that is involved in the way of inconvenience and hardship; and, in addition, any extra charge that may be imposed through the ability of dealers to raise prices under conditions of inadequate supply. If a strike is accompanied by violence, whether instigated by strikers or employer, a further social cost, and sometimes a heavy one, must be added. The "Ludlow massacre," the "Herrin massacre," and similar bloody industrial battles are, of course, wholly inexcusable; but it is hard to prevent such catastrophes when strikers, fighting as they think for their homes and families, meet at close range the company-paid guards and detectives, and worst of all perhaps, the despised strike-breaker, whose job it is to smash the strike and then go forth in search of new worlds to conquer.

The Futility of Settlement of Disputes by Strikes

Strikes, like wars, do not settle questions of right and wrong. The most that they can do is to determine which of the two contending parties is, for the moment, the stronger. They can rightly be charged with causing inconvenience and suffering, bringing considerable mater-

ial loss, and (though fortunately not often) with taking a toll in human life. These results of the strike will be deplored by every thinking citizen. It is right that employers should have the privilege of operating their plants continuously. It is desirable that workers have good wages and steady work without going to war for these necessities. And it is surely fair that society enjoy an uninterrupted flow of those goods and services which it finds essential to comfort and well-being. But this is, after all, a very imperfect world, and we, its masters, have not as yet discovered how to avoid industrial strife. If we deny to workers the right to strike, we have taken from them their only effective weapon, and have destroyed all possibility of equality in bargaining with employers. And yet it is clear that certain industries should not be interfered with. It is absolutely essential that we have continuous, uninterrupted transportation of both goods and persons. It is almost equally important that we be insured a steady and abundant supply of coal. In these and other vital industries, we might do well to outlaw the strike, but hardly so long as the industries are under private ownership and operated for private gain. If it is really essential to have coal and transportation without hindrance, then possibly we should handle our coal mines and railroads as we do the postoffice, announcing definitely that here are public services in which no strikes will be tolerated. Having given fair notice to this effect, and having taken private profit out of the enterprises, no worker engaging in one of these fields of activity could claim to be greatly injured through the prohibition of strikes. Indeed, it might not be necessary to go so far as to socialize completely these important industries. To prohibit the use of the strike, and yet not to limit in any way the profit-getting activities of the companies, would be manifestly unfair, since it would leave the workers unarmed and wholly at the mercy of the employers. But public regulation of a thorough-

going sort might be quite as successful as public ownership in eliminating strikes and lockouts, while safeguarding the interests of capital, labor, and the consuming public. Professor Seager believes that "we have now reached a stage in public service industries where we can no longer tolerate the use of the strike and where we are beginning to establish standards through legislation and through adjustment boards which render resort to it unnecessary." [16] He goes on to say that the field of public utilities is one in which employee representation may prove extremely useful. With terms of employment fixed by commissions, there would seem to be no need for collective bargaining of the orthodox type, and certainly no necessity for the strike. Denial of the right to strike would not, after all, be a great deprivation, since public opinion is usually so strongly opposed to strikes in the public service that they rarely turn out successfully. Employee representation, if introduced into this field in lieu of orthodox unionism, would provide machinery for continuous consultation, and might serve to bring about an increase in mutual understanding, good-will, and cooperation. We shall see, in Chapter IX, that such accomplishments are possible, also, under conditions of strict trade unionism.

A Business Man's "Ideal Union"

Both employers and employees have customarily claimed that their respective labor programs were essential to, or at least consistent with, the welfare of the public. We have reviewed some of the opposing views, and may now present, with brief comment, the platform of "an ideal union which the employer might welcome and to which he would rather see his employees belong than not." It is proposed by Staunton B. Peck, who is Chairman of the Open Shop Committee, United States National

[16] *American Economic Review*, March, 1923, p. 10.

Association of Manufacturers, and a champion of company unionism. Mr. Peck's ideal union would be based on the following principles:[17]

"First—While seeking to enroll the fullest possible membership, it would in no way discriminate against anyone who for any reason preferred to remain outside.

"Second—In the discussion of all differences with the management the representatives of the union, if not actual employees, would at least be thoroughly conversant with all conditions of the particular plant or company and have no outside interests to serve.

"Third—Settlement of all differences concerning conditions and terms of employment would be by conference, and with arbitration as a final resort in case of failure to reach agreement.

"Fourth—Strikes, whatever may be the outcome, cause irreparable loss to all parties concerned, and are a most uneconomic and unsatisfactory way of settling differences. They would not be permitted. This would be especially true of the so-called 'sympathetic strikes' or those arising from jurisdictional disputes. With such a principle in active force, boycotts and lockouts would become things of the past.

"Fifth—Violence and injury to persons or property would be sternly prohibited and punished. As a corollary to this, though needless if the principle were lived up to, labor associations should be given power to sue and accept the right to be sued.

"Sixth—Indolence and incompetence would be discouraged, and if persisted in, lead to forfeiture of union membership. On the other hand, compensation which insured increased wages to the better men in proportion to their skill and industry, would be approved and encouraged.

"Seventh—Union membership, to say nothing of leadership, would be forfeited to any man convicted of a crime or penal offense."

This program unquestionably has many points of excellence, as every trade unionist would admit. And if

[17] Staunton B. Peck, *Labor Unions.* In *The Rotarian,* November, 1927, p. 56.

put into practice, it would dispose effectively of all of the real and imaginary evils of trade unionism, for it would put an end to unionism itself. It would abolish the closed union shop; prevent negotiation by independent, outside representatives of the unionists; outlaw labor's most effective weapon, the strike; make all union members liable for the individual and perhaps unofficial acts of union leaders; destroy the principle of uniformity or standardization; and deprive the trade union movement of the leadership of even so mild a man as the late Eugene V. Debs, whose "crime" consisted of adherence to a life-long belief in non-resistance. In a word, the platform outlined above is calculated to substitute company unionism for trade unionism. As to the desirability of such substitution, there are differences of opinion so marked that it would be hazardous to attempt to draw definite conclusions. Employers, on the whole, are for company unionism, as exemplified in employee representation; the workers, as might be expected, seem on the whole to favor the stronger type of organization, the trade union. But these choices are doubtless based largely on self-interest. Dropping, for the moment, the perplexing problem of unionism and social welfare, we shall look into the employee representation, or company union, movement in some detail; after which we shall be in a position to compare several features of these two competing forms of labor organization—trade unionism and company unionism.

CHAPTER III

WHAT IS EMPLOYEE REPRESENTATION?

What has been said about industrial conflict does not mean that employers have been giving no attention to personnel relations. Indeed, one of the most striking manifestations of present-day business is the definite, systematic effort of management to win the good-will and cooperation of the workers. We have, as a consequence, the seeming paradox of an age in which production has been mechanized to a degree never before reached, being marked, also, by an unprecedented interest in the human factor in industry. As machinery finds its way into manufacturing processes in ever-increasing quantities, at times reducing materially the employer's dependence upon man-power, one might expect managers to give less and less attention to the needs of their workers. And yet, strangely enough, this has not happened. On the contrary, the past thirty years, which have brought an unparalleled advance in industrial technique, have witnessed the introduction and steady growth of scientific management and personnel administration. Scientific management is concerned with improving the physical conditions of production, handling workers with skill and precision, and securing their cooperation through such devices as incentive wage systems. Personnel management seeks primarily to establish satisfactory employer-employee relationships, to implant in the worker a feeling that his interests are being cared for, and thus to develop good-will and loyalty toward the management.

Mechanization of Industry and Personnel Management

Perhaps, after all, it is not surprising that mechanization of industry and concern for the worker should have gone almost hand in hand. It may be, as some contend, that the one has given rise to the other; that machine production burdened society with economic problems that could be solved only through a wiser use of human material. Machinery brings amazing increases in production, but this very fact makes losses all the greater if any possible reductions in unit costs are neglected. On this account, if from no higher motive, few industries today can afford to overlook the employee's attitude toward his job. It is important, first, that the worker should wish to do his best; and, second, that working and living conditions should be such as will enable him to do his best. There is need, then, to gain the wholehearted support of the worker, for without it quantity and quality of output are bound to suffer. It is an old saying, and a true one, that many an employer, after winning a strike, has paid the bill in lessened production.

No employer can hope to get the maximum of service from his workers unless he has their good-will. It is useless, likewise, to look for the optimum output from employees whose human needs have not been fairly well met. Not only must a good standard of living be possible, but such industrial ills as excessive strain and monotony must be remedied, if the worker is to keep fit. Henry Ford provides an outstanding example of the wisdom of paying high wages, and others have demonstrated conclusively that rest periods and similar devices for maintaining efficiency may often be counted upon to pay large dividends. These, then, are a few evidences of a probable causal relationship between machine production and the present widespread interest in personnel relations.

The Beginnings of Employee Representation

Personnel administration, as has been said, is concerned with maintaining satisfactory relations between employer and employee. Employee representation is one phase of personnel management, though it may be found in establishments that do not maintain distinct personnel departments.[1] The personnel movement in general had won commendation before employee representation found any appreciable recognition in this country.

Indeed, it was the World War that gave to employee representation its first great impetus. The dozen or so plans existing before 1917 were associated with concerns that were pioneers in the field. The names of John D. Rockefeller, Jr., William Filene's Sons, John Leitch, and a few others, stand out in the history of employee representation not only because of the notable service that they performed in this connection, but also because they were among the first to devise or introduce plans of employee representation, some of which were later adopted quite widely. But the war, with its demand for greater and yet greater output, impressed upon American manufacturers the necessity of using all possible means for speeding up production. British industry had found the Whitley Councils useful, and with the entry of the United States into the war the principle of employer-employee conference was introduced into a number of industries in this country, in some instances voluntarily and again by government order. There can be no doubt that this national emergency furthered the cause of employee representation, even though many of the plans put into operation at that time were later abandoned.

[1] In half of the plans described in one study, "the personnel department has no direct connection with the representation plan except to render such service as may be requested." See *Employe Representation in Industry*, p. 96. Cleveland: Cleveland Chamber of Commerce, 1923.

The Influence of the Great War

What the government and certain employers saw in representation was the opportunity to enlist the interest and enthusiasm of the workers through the concept of a common cause. The idea of employers and employees conferring together and working shoulder to shoulder in the creation of necessary goods had a strong emotional appeal. Employers were making large profits, could afford to be generous, and were generous; workers, fired with patriotism and drawing good wages, forgot their traditional antagonism to the employing classes, and played the game with a right good will. Goods were produced in enormous quantities, and many managers gave employee representation much of the credit for the uninterrupted flow of munitions, ships, textiles, and other commodities essential to the successful prosecution of the war.

With the coming of peace, there were numerous changes in representation plans, and the device was dropped entirely by some who had had it thrust upon them by governmental edict. Nevertheless, in the main, employee representation had caught on. Management was convinced that it had produced desirable results, and employees, too, thought that it had worked to *their* advantage. Though it suffered a temporary set-back, it soon got off to a fresh start, and during the past seven or eight years has made headway at a phenomenal pace.

Changing Attitudes in Industrial Relations

Employee representation is based upon the general proposition of mutuality of interest. Time was, and not so long ago, when labor leaders contended that the workers were the only true producers, and to them should go the lion's share of the product. Capitalists, on the other hand, not infrequently referred to labor as a commodity —a thing to be bought and sold like any other piece of in-

dustrial material. Happily, these older attitudes are changing. Organized labor, for example, is willing nowadays to concede that capital plays an important part in production. "The outstanding and primary factors in all industrial enterprises are capital and labor," says President Green, of the American Federation of Labor. "Both are essential to industry and each is dependent upon the other. Between them there is an interdependence so fixed and irrevocable as to make complete success attainable only through understanding and cooperation."[2]

Capital, too, has experienced a change of heart, and is now much less inclined than formerly to speak of labor as a commodity to be exploited by capital. Instead, capital is inviting labor to conferences and asking for aid in determining upon and putting into operation courses of action that will be mutually beneficial. The present tendency, then, is to stress interests that are clearly common, and to find means of settling amicably the problems that arise when interests appear to be in conflict.[3] It is easy enough to agree, for example, that all factors of production will benefit by a large output at low cost, assuming that a satisfactory basis of distribution of income is found; but just what constitutes, let us say, labor's "fair share" in distribution, in the form of wages, is not so readily determined.

"Government by Consent of the Governed"

The idea of a common undertaking, in which management and workers should join willingly and heartily, is a fundamental principle of employee representation.

2 William Green, *Modern Trade Unionism*, p. 4.

3 See Paul H. Douglas, in *Journal of Political Economy*, February, 1921, p. 107: "Neither the I. W. W. preamble with its statement that 'the working class and the employing class have nothing in common,' nor the belief of the liberal employer that 'the interests of labor and capital are identical,' is completely correct, although each expresses a glittering half-truth."

Representatives elected by the employees hold joint meetings with others appointed by the employer, for the discussion of various matters affecting the welfare of the business. Wholly apart from any material benefits that may accrue, this arrangement gives to the employee a certain sense of proprietorship—a feeling that he is not only a worker in the plant, but, through the representatives whom he helps to elect, a manager as well. A comparable situation is found in the field of political action, where the right to vote, though not always exercised, is none the less valued, since through it the citizen has, or fancies that he has, a part in the affairs of state.

Few persons are content to have conditions imposed on them from above, either in industrial or political life. Employee representation aims to provide government by consent of the governed. It is built upon the assumption that free discussion between management and workers will bring about a better understanding of the problems to be solved, create a spirit of genuine cooperation, call forth helpful suggestions from intelligent workers, and permit the settlement of differences by negotiation instead of combat.

Speaking from the managerial point of view, E. K. Hall, Vice-President of the American Telephone and Telegraph Company, says that the adoption of employee representation "constitutes recognition of certain things not previously recognized or fully appreciated by management. First, the normal or the military form of organization in industry is not adequate for promoting, developing, and maintaining the best relations between management and men as individuals. Second, the worker is entitled to a better status in the industry than that of being a mere servant or a mere contractor. Third, the worker ought to be considered and treated as a part of the organization just as much as an employee who happens to carry the title of supervisor. Fourth, as a part of the organization, as a part of the industry, the worker is

entitled to confer with responsible representatives of the management concerning his own relations to the business and everything involved in that relation. Fifth, he is entitled to know and ought to know something about the plans and the procedure, the practices and the objectives of the industry itself, and he is entitled to have a chance to do this and to ask these questions without seeming impertinent or feeling embarrassed or being told that it is none of his business. As a matter of fact, management assumes responsibility for taking the initiative in telling employees about these things. Sixth, where size prevents this contact between representatives of the managing employees and all the members of the general working forces, then an orderly method to accomplish these ends is for the general forces to confer with management through representatives, through people whom they select, their own side partners, people who are more or less working under the same conditions they are working under in the business."[4] This admirable summary may be presented without comment, since is shows clearly and concisely the attitude of progressive management toward the workers, and the improvements in personnel relations that employee representation is expected to bring.

The Meaning of Employee Representation

Employee representation may be defined as a system of industrial government through which the workers in an individual business establishment, by means of representatives whom they have elected from their own number, deal collectively with appointed representatives of the management, and thus have a part in regulating their conditions of employment. Much confusion has arisen in connection with the terminology of employee repre-

[4] *Personnel*, February, 1928, pp. 83–84. New York: American Management Association.

sentation. Dean Miller lists more than a score of names that have at times been applied to the representation movement, including such titles as "joint conference committee," "industrial partnership plan," "industrial democracy," "cooperative association," as well as the more usual "employee representation," "shop committee," and "works council."[5] Some writers have attempted to draw fine distinctions in terminology, but without much success, for in actual practice the various names have been used almost interchangeably.

Dean Miller pointed out, a half-dozen years ago, that the terms in use conveyed no reliable information as to the characteristics of the respective plans, and he suggested a system of uniform terminology, which has not, however, been widely adopted.[6] The most that can be said with assurance is that the term "employee representation" is now commonly used to designate the general representation movement, and the names "shop committee" and "works council" are applied, with no idea of differentiation, to the representative bodies, or committees, through which employee representation functions. A shop committee or works council, then, may be a committee representing a whole plant or merely a division of a plant; if it is necessary, in the following pages, to distinguish between the two, the context will make clear whether the smaller or larger committee is referred to. By sticking to these simple terms, and using them in the manner indicated above, we shall avoid much confusion and shall have but little need for the more elaborate terminology sometimes employed.

Important Types of Employee Representation

A British authority on labor problems has observed that the individualistic spirit of American industry is apparent in the employee representation movement, since

[5] Miller, p. 37, f.n.

[6] The same, pp. 52–53.

each specific plan has "its special characteristics and is framed to meet the individual circumstances of the establishment in which it exists."[7] It is quite true that there are striking differences between specific plans, not only in the degree of power exercised by the workers but also in the forms of organization used. And yet there is sufficient uniformity to make it possible to classify plans of employee representation, along several lines. James Myers, whose knowledge of the subject is both theoretical and practical, divides all plans into four groups, depending upon the amount of authority enjoyed by the workers. The first group includes those plans which grant to the shop committee *advisory powers* only. In the second group, the workers have recourse to *arbitration* in cases of disagreement between management and men. The third group is made up of the very small number of plans providing for *workers' representation on the board of directors.* And the fourth, and last, group is made up of such plans as take a *democratic attitude toward labor unions,* and manifest, on the part of management, "a willingness to recognize the union if the workers request it."[8]

This is, for many purposes, an extremely useful division; but the classification most often adopted is that of the National Industrial Conference Board, of New York, which distinguishes between the *committee, industrial democracy, and employee association* types of employee representation. We shall here make use of this classification, since it is certainly as satisfactory as any yet devised, and it permits, moreover, the use of employee representation statistics which the Conference Board has been accumulating for the past ten years.[9]

[7] H. B. Butler, *Industrial Relations in the United States,* p. 86. Geneva, 1927. Publication of the International Labour Office (League of Nations).

[8] James Myers, *Representative Government in Industry,* pp. 77–83. New York: George H. Doran Co., 1924.

[9] The National Industrial Conference Board has published four important reports on employee representation, to which every writer on the

The "Committee" Type in Small Plants

The *committee* type of representation usually provides for joint *plant shop committees,* or works councils, made up of equal numbers of employee and managerial representatives. Representatives of the employees are chosen by secret ballot from among their own number, and those of management are ordinarily appointed by company officials. These joint committees hold meetings at frequent, stated times, and discuss those subjects of common interest over which they have been given control. Such important matters as terms of employment, working and living conditions, better production methods, and grievances are included, as a rule, though in some instances the powers of the committee are more restricted. All reliable information bearing upon the subject is presumably brought forward, so that a decision may be reached on the basis of known facts.

At times, there is unit voting, each side of the joint committee voting separately, with a majority determining the vote for that side. Or there may be individual voting, in which a majority vote of the whole shop committee decides the issue. In case of deadlock, which is quite likely to occur, there is usually provision for referring the matter to the superintendent, president, or other important official. Arbitration is provided for in some plans. It should be noted that the action of a shop committee is not necessarily conclusive; a decision for a general wage increase, for example, might be vetoed by the president of the company. This possibility means, of course, that the powers of the committee are quite often merely advisory, though in some instances, as has been said, the committee may go beyond a veto and get a final decision by arbitration. Procedure in the matter of appeals varies greatly.

subject refers when in search of definite facts. We shall present certain of these facts in our analysis of the representation movement.

The "Committee" Type in Large Plants

A single shop committee (or works council) for an entire establishment is suitable only when the plant is small. Chart 1 illustrates this very simple form of organization. In the case of large plants, it is customary to have divisional or *departmental shop committees,* to look after the needs of the several departments or sections of the establishment; and one or more employee representatives from each of these departmental com-

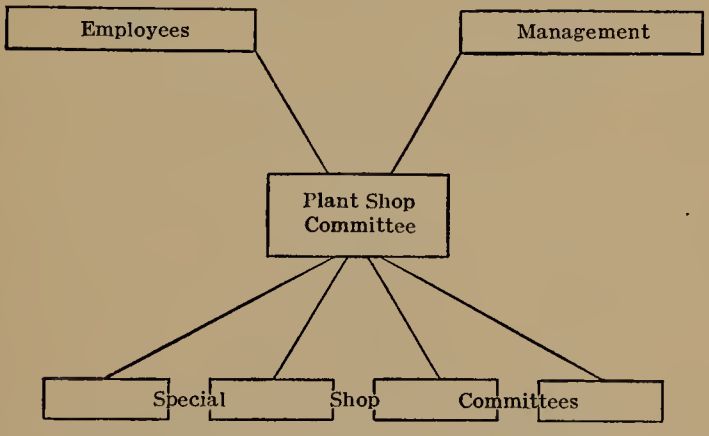

CHART 1.—Committee Type of Employee Representation (small plant).

mittees join with a like number of managerial representatives, and thus make up the shop committee having charge of matters affecting the whole plant. This arrangement is indicated in Chart 2. When a single company operates a number of plants, there is usually a *general shop committee* (or general works council), composed at times of members of plant shop committees in all establishments controlled by the company; and, again, of representatives from only those shops which are directly interested in the particular subjects to be discussed by the general shop committee. Finally, there are *special shop committees,* which are created by and responsible to one of the three types of shop committees already described. These special committees may be

made up of representatives from both sides, but quite often consist of employees only. Departmental, plant, and general shop committees are usually *joint* committees, with equal representation of workers and management. In some instances, however, management has fewer representatives than the employees, but has equal voting power under the unit system. And there are some shop committees composed of workers only, who, as oc-

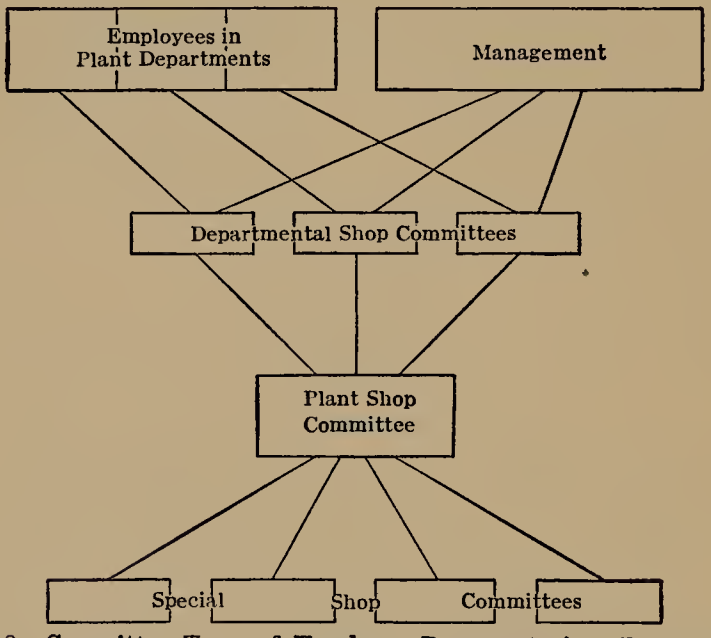

CHART 2—Committee Type of Employee Representation (large plant).

casion arises, hold conferences with one or more company officials.

The International Harvester Company Plan

A typical example of the committee form of employee representation is the plan of the International Harvester Company and subsidiary companies. The "Industrial Council" plan was introduced in 1919, for the purpose of establishing labor relations "upon a definite and durable basis of mutual understanding and confidence." The

plan becomes effective in any plant of the company when adopted by a majority vote of the employees present and voting at a special meeting held for the purpose. It is now in force in nineteen of the twenty International Harvester Company works. A department of industrial relations in each plant aids in carrying out the plan and gives "special attention to all matters pertaining to labor policies and the well-being of the employees."

The plants are divided into voting precincts, in order that the different departments and crafts may be fairly represented, and each division elects representatives to the works council (or *plant shop committee*), on the basis of one representative for each two hundred to three hundred workers. The management appoints representatives to equal in number those of the employees. The works council meets monthly for the consideration of "all questions of policy relating to working conditions, health, safety, hours of labor, wages, recreation, education, and other similar matters of mutual interest."

Management representatives and employee representatives vote separately, and a majority determines the unit vote for each side. In the event of a tie, a substitute or compromise recommendation may be made, discussed, and voted upon. If the tie remains unbroken, the question may be referred to the president of the company, who may, as he deems best, propose a settlement, refer the matter to a general council (*general shop committee*), or, by agreement between himself and a majority of the employee representatives, submit it to arbitration. If the members of a works council agree upon a policy not approved by the superintendent or president, the president again may exercise the powers outlined above, disposing of the case as he thinks wisest. This means, of course, that the works council has authority to advise and recommend, but the president has final veto power, since disputed matters are submitted to the general council, or

to arbitration, only when such action meets with the approval of the president.[10]

The "Industrial Democracy" Type

The industrial democracy (or governmental) type of employee representation, originated by John Leitch, parallels roughly the legislative organization of our federal government. The names given to the three bodies of representatives—House, Senate, and Cabinet—are indicative of Mr. Leitch's desire to transfer to his system of representation some at least of the prestige that attaches to the legislative and executive machinery set up by the Constitution of the United States. The House alone is elected by the workers; the Senate is appointed by the management, and is made up of minor executives, department heads, and foremen; while the Cabinet consists of the executive officers of the company, with the president of the company as chairman. Meetings of House and Senate are usually held weekly, and on company time. Much of the business is transacted through committees. "Each measure is, as a rule, referred to a committee to investigate and report so that when the time comes for open discussion all available facts will be in hand." Bills may originate in either Senate or House, and before becoming a law a bill must pass both bodies and be approved by the Cabinet. The Cabinet has veto power which is final.[11] Chart 3 shows the organization of a typical industrial democracy plan of representation.

Riverside and Dan River Cotton Mills Plan

The representation plan of the Riverside and Dan River Cotton Mills, Inc., is an example of the industrial

[10] *Harvester Industrial Council,* 1919, reprinted 1926. Chicago: International Harvester Co.

[11] John Leitch, *Man-to-Man.* New York: B. C. Forbes Co., 1919.

democracy type. As is usual with the John Leitch plans of representation, it is based on "justice, cooperation, economy, energy, and service"; and its purpose is "to improve and better the industrial, economic, and spiritual conditions of all concerned." The popular body of this democracy is the House, with one representative for every forty workers, elected by secret ballot. This meant, in one year, a House of 117 members; the Senate, at that time, was composed of 67 minor executives; and the Cabinet consisted of eight executive officers, in addition to the president. There are standing committees on bonus

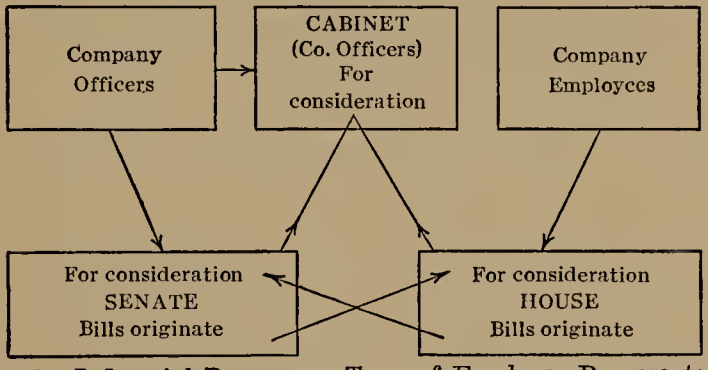

CHART 3—Industrial Democracy Type of Employee Representation.

and dividends, accident prevention, ways and means, recreation and amusements, adjustments and complaints, constitutional questions, suggestions, recognition and promotion on merit. Legislation becomes effective only after passing all three bodies of this industrial democracy. The Cabinet, of course, may defeat any measure that to the chief executives seems unwise. There is no provision for arbitration, so that a veto by the Cabinet is final. The powers of the workers are, therefore, merely advisory.

Profit-sharing is not an essential part of employee representation, but most plans of the industrial democracy type include an "economy dividend" arrangement which provides that one-half of the gains made through the economy of the workers shall go to them in the form

of a bonus. The economy dividend is a feature of the Riverside and Dan River Cotton Mills plan, and has brought to the workers, in the way of bonuses, as much as $450,000 in a single year.[12]

The "Employee Association" Type

The *employee association* type of representation differs from those forms already described chiefly in providing for the definite organization of the workers into a company union or employee association. Membership in the association may be voluntary or compulsory. At times, the organization is financed by the employing company; again, its expenses are met through the collection of dues from the membership. Representation conducted under the auspices of an employees' association may be of the committee type or the industrial democracy type. In most cases, a definite organization does not add greatly to the effective operation of the plan, since few meetings are held aside from those of the elected representatives; but there are exceptions, of course. In any event, it is probable that membership in an association and the possession of a "union card," do give to the worker a sense of *belonging,* which otherwise he might not have. This is doubtless of particular significance in industries of great size; and it is significant that this type of representation has been adopted most extensively by railway systems and public utility companies employing many thousands of workers.

Interborough Rapid Transit Company Plan

The Interborough Rapid Transit Company, of New York, provides for employee representation through the medium of the Brotherhood of Interborough Rapid Transit Company Employees. All employees of the company

[12] *Constitution and By-Laws of Employee Representation Plan.* Danville, Va.: Riverside and Dan River Cotton Mills, Inc.

belong to this organization, and they agree in writing not to "become identified in any manner with the Amalgamated Association of Street and Railway Employees of America [the American Federation of Labor union], or with any other association of street railway or other employees." The association is divided into departments, on the basis of types of occupations. There are five of these main divisions, and within each department are local organizations, ranging from three "locals" in the case of the station department to ten in the department of transportation. The local groups elect representatives to the General Committee of the Brotherhood, on the basis of one representative for 250 workers. The General Committee is the "supreme governing body," and has "the power at all times to promote the welfare of the members of the Brotherhood and of the Company by amicable adjustment of all questions as to the wages and working conditions that may arise from time to time."

Any member wishing to get action on a matter in which he is interested may bring it to the attention of an officer of the local, who in turn takes it up with the company official having jurisdiction. If not acted upon satisfactorily, it may be referred to higher officials, and finally go to the General Committee for support. When the General Committee wishes to bring important matters to the notice of the management, the president of the General Committee appoints a committee to meet with the general manager of the Company. If agreement is found to be impossible, a non-partisan Board of Arbitration is appointed by joint action of Brotherhood and Company, and the decision of this Board is binding upon both parties. Questions of discipline and efficiency, however, are not subject to arbitration.[13] This particular plan of representation has been severely criticized, as we shall have occasion to note in Chapter VII.

[13] *Constitution of Brotherhood of Interborough Rapid Transit Company Employees.* New York: Interborough Rapid Transit Co.

Comparison of "Committee," "Industrial Democracy," and "Employee Association" Types

The differences between the committee, industrial democracy, and employee association types of employee representation are in reality much less pronounced than might at first sight be supposed. Stripped of the feature of a *definite organization* (or company union), which in practice cuts but small figure at any rate, the employee association type becomes either the committee or the industrial democracy form, as the case may be. And the distinction between these two types is not, in actual practice, always clearly drawn. The inflexibility of the industrial democracy form has frequently been commented upon, and some employers have modified the plan by eliminating the Senate, the body composed of minor executives. This simplification leaves only the House, consisting of elected representatives of the workers, and the Cabinet, made up of chief executives; and thus we have an approximation to the committee type of employee representation, though in terminology the two forms remain widely separated.[14] The industrial democracy type of representation has had a checkered career. Ten firms were using the Leitch plan in 1919, and by 1922 the number had mounted to forty-three. But it suffered a decline, both absolutely and relatively, and in 1926 the plan was being used by only twenty-seven concerns.

The most recent figures comparing the popularity of the three types are for 1924, and showing that 12.8 per cent. of all firms using employee representation had adopted the industrial democracy form, 17.4 per cent. the employee association form, and 69.8 per cent. the committee form of organization.[15] It has been noted that the employee as-

[14] *Experience with Works Councils in the United States;* Research Report 50, p. 11. (National Industrial Conference Board.) New York: The Century Co., 1922.

[15] *The Growth of Works Councils in the United States;* Special Report 32, p. 10. New York: National Industrial Conference Board, 1925.

sociation type of representation has found particular favor in large industries. The industrial democracy plan is especially applicable to small organizations. In large establishments, "in order to be properly representative of the employees it must necessarily be so large as to be unwieldy. Also all questions, however trivial or local, arising in any part of the plant must be referred to the House or Senate, and thereby become the concern of the whole plant."[16] The committee type, however, is adaptable to a plant of any size. The single plant shop committee meets the needs of a small establishment, and through the use of departmental shop committees the machinery of representation may be expanded to take in an organization of many thousands of workers.

Characteristics of American Employee Representation

"Company Unionism"

Leaving, now, the matter of types and organization, we may look at the movement as a whole, and note several important distinctions between this so-called *company unionism*[17] and trade unionism of the usual type. Employee representation, in the first place, is ordinarily company-inspired. This was not the case ten years ago. More than one-half of all representation plans in force in 1918 and 1919 had been initiated by the United States Government; but when governmental pressure was removed the plans thus introduced dwindled away until, in 1924, there were but five companies operating employee representation as installed by order of the Na-

[16] *Works Councils in the United States;* Research Report 21, p. 117. New York: National Industrial Conference Board, 1919.

[17] A "company union," from the trade union point of view, is "what the employers usually designate as a works council, a works committee, an employee representation plan, an employee conference board or an industrial assembly." (See Robert W. Dunn, *Company Unions,* p. 2. New York: Vanguard Press, 1927).

tional War Labor Board and United States Shipbuilding Labor Board. In the meantime, however, the plans introduced by company initiative had made great progress. Dr. Leiserson tells of the employees of a New Jersey oil company, who threatened to strike unless their employers inaugurated a representation plan similar to that of the Standard Oil Company;[18] and Borden's Farm Products Company installed a system at the suggestion of its milkmen, whose trade union activities had ended with the loss of a strike in 1921.[19] But such instances are rare.

The trade union, of course, is commonly thrust upon the employer by the workers, though there is the recorded exception of Arthur ("Golden Rule") Nash, who actually urged the workers in his clothing factory to join the union. Because employee representation is initiated by the management and not the workers, the latter are likely to view it with suspicion; and trade unionists are outspoken in their criticism. Apparently the theory is that an employer will not voluntarily limit his control, so that there must be a hidden motive. But this is hardly fair. Employee representation means, of necessity, that the employer is making some concession to the employees, even though it consists of nothing more than acknowledgment that the workers are entitled to a hearing in all matters affecting their welfare. There can be no doubt that many employers, in installing employee representation, have acted from the highest motives, and have brought something of industrial citizenship into plants where previously it had been wholly unknown.

That the employer has made the first move should not be permitted to discredit employee representation. One writer insists that "to be successful, the whole procedure must spring from his [the employer's] initiative. The particular plan of consultation or representation may well be left to employees to devise. But Hamlet can't

[18] *Personnel*, February, 1928, p. 132.

[19] The same, p. 91.

be played with the principal character omitted, and the Hamlet in this case is the executive. Employee representation and other means of a consultation must be regarded essentially as a vehicle of leadership. The starting point in all these matters is the manager."[20] But the important point, after all, is not who initiated the plan, but the purpose for which it was initiated, and the degree of power that employee representation has brought to the workers. These are matters which must be reserved for later consideration.

The Employer's Freedom of Action

Though instituted by the employer, a plan of representation, to become operative, must have the cooperation of the workers. It has been suggested that "no plan has any chance to survive that is not mutually satisfactory to the parties concerned."[21] But this would seem to be an over-statement, since it is entirely possible for industrial measures, like outgrown laws, to remain "on the books" simply because no one has taken the trouble to wipe them off. The continued existence of a plan of employee representation may signify merely that it is doing no particular harm, and not that it is functioning actively in the overthrow of autocratic methods of labor control and the establishment in their place of new and truly democratic methods. Nevertheless, if a plan of representation becomes definitely objectionable to either of the interested parties, it will soon pass out of the picture, since the arrangement is one which either side may cancel at will. There are a few instances (such as that of the Interborough Rapid Transit Company) in which the worker, in accepting employment, obligates

[20] Sam A. Lewisohn, *The New Leadership in Industry*, p. 141. New York: E. P. Dutton & Co., 1926.

[21] Carroll E. French, *The Shop Committee in the United States*, p. 56. Baltimore: The Johns Hopkins Press, 1923.

himself to retain membership in the employee association and take part in the operation of the employee representation plan. But provisions of this kind are rare, and ordinarily, if the workers consider the plan harmful or useless, they can quietly do it to death by refusing to elect representatives or to attend meetings.

The employer also has complete freedom of action, for he can legally change or withdraw the plan at any time he sees fit; and the ability to alter or abolish the plan, if it should appear to be getting beyond control, has seemed to some employers to be an advantage. Certainly it is a privilege not enjoyed under trade union conditions, since a part of the union's job is to force collective bargaining upon an employer if he does not adopt it of his own will; and the pressure that a strong trade union can bring to bear toward this end is sometimes very great. The voluntary nature of employee representation is characteristic of the movement as it has evolved in the United States. In Germany, Austria, Norway, and Czechoslovakia, works councils are made compulsory under the law; and in England they are endorsed and aided by the Ministry of Labor.

The Absence of "Outside Representatives"

Many employers object strenuously to what they call "outside interference" on the part of the trade unions. This term is frequently applied to the use of union representatives who are not themselves employees in a plant, but are paid agents of the trade union, engaged to represent the interests of the workers in disputes or collective bargaining. Most employers express a willingness to negotiate at any time with *bona fide* employees, but a very large number resent most bitterly the necessity of dealing with these union "outsiders," whose part in labor negotiation is, from the trade union part of view, just as essential and justifiable as the presence of law-

yers in legal disputes. Employee representation, with negligible exceptions, rules out the paid union representative, and provides that all who take part in collective dealings must have a definite stake in the welfare of the business, either as employer or employee.

Another feature of employee representation, and one highly prized by some managers, is the part which management, through its shop committee representatives, is enabled to take in the deliberations of the workers. This is, of course, quite contrary to the trade union idea of meetings that shall be attended only by union members. It is an arrangement which enables management to keep its finger on the pulse of the workers, and perhaps to head off trouble before it gets well under way. Most shop committees, as has been seen, are *joint* committees, and the committee meetings are designed to provide opportunity for discussing problems and not for voting a decision already reached. "We should send our representatives not to win a victory but to come to some agreement on the basis of an enlarged understanding on both sides. We should send men to a 'conference' to confer, not to fight for something already decided on before meeting; if the latter, they will use the balance of power of the moment, will rely on diplomacy and the handling of groups. . . . The great leader or the true representative—I consider them the same—must look ahead and see what public opinion is going to be, and that means no prophetic insight, it means only that from the daily occurrences in the life of his constituents he reads public opinion before it gets formulated as such."[22]

Frequency of Joint Conferences

Conferences between management and workers take place more frequently under employee representation

[22] M. P. Follett, *Creative Experience*, pp. 253–4. Quoted in Burton, p. 143.

than under trade union conditions. When the unions have local joint councils for interpreting trade agreements and settling disputes, meetings may be called whenever they seem necessary; but in any case they are likely to occur less often than the meetings of non-union shop committees. Employee representation usually provides that meetings of shop committees shall be held at least monthly, and in a few instances as often as once a week. However great or small the intervals between meetings, they ordinarily are held at stated times, providing something of a *continuous* system of negotiation.

The significance of this sort of arrangement has been commented upon by many authorities. It is one thing, they say, to call a conference between employer and employees when an emergency arises, and the air is tense with the impending struggle; and quite another to have an unsatisfactory situation brought to light and discussed at the first regular meeting held after the appearance of the trouble. It is a well-known fact that misunderstandings pure and simple, with apparently no one genuinely at fault, have sometimes led to most serious consequences. The continuous negotiation machinery of employee representation is calculated to reduce misunderstandings to a minimum, since monthly, semi-monthly, or weekly conferences afford opportunity for settling promptly those minor complaints which, if left to care for themselves, sometimes develop into distressing grievances.

Inability of Workers to Strike

Something has already been said of the growing desire of trade unionists to settle their industrial differences at the conference table rather than on the strike field. It remains a fact, however, that trade unions are organized for conflict, and stand ready to draw up in battle array whenever the occasion seems to call for stern

measures. This is in contrast to the company union, for the latter, lacking the sinews of war that form an essential part of the trade union equipment, must needs content itself with vocal argument. We shall refer to the matter again, and may leave it for the moment with the observation that this non-fighting attribute of employee representation is decidedly advantageous from the employer's point of view. It may also appeal to the public as a desirable quality, since it insures a steady flow of goods and services which might be interrupted if the company union, like the trade union, were "organized for conflict." It also solves, and most effectively, the problem of "divided allegiance." In the event of serious disagreement, does the worker owe loyalty to the union or to the employer? Experience shows that the trade unionist almost always sticks by his union, which means, if a strike is declared, lining up against his employer. Under employee representation, however, the worker is not obliged to make a decision. The company union exists by sufferance of the employer, and it is almost inconceivable that there should be a serious conflict between the two; so that the company unionist may be loyal to both at the same time.

The Single Plant as the Unit of Organization

One of the outstanding differences between these two brands of labor organization is the fact that the trade union is industry-wide in its field of operations, whereas employee representation is a system of collective dealing confined to a single plant. The case for employee representation rests pretty largely upon the need for machinery for consultation in the individual establishment. Some of the international unions of the American Federation of Labor have jurisdiction not only in the United States, but in Canada and Mexico as well. It would be absurd to claim that conditions in any trade could be

exactly uniform throughout so great a territory. Even in a single city, working conditions in a particular trade are bound to vary from shop to shop. Trade union specifications can never become so detailed and so perfect as to eliminate all inequalities of working conditions.

Employee representation directs the worker's attention to matters in which he has a personal interest, and upon which he may have some fairly exact knowledge. Industrial workers, like other people, are interested primarily in those problems that touch their own lives intimately; and it has been suggested that the small attendance at trade union meetings may be due, in large part, to the fact that these meetings "do not deal with the things upon which their members' minds have been mainly occupied during the day—the problems and difficulties of work in a particular factory, under particular managers and foremen." [23] Certainly much may be said in favor of the factory as the unit of organization most suitable for some phases of collective dealing. Not only does the limitation in area make possible a greater familiarity with the specific problems to be solved, but it also brings into the organization the unskilled and semi-skilled as well as those who are members of the unionized crafts; and in this way industrial democracy becomes more democratic.

It is possible, also, that negotiations between employer and employees will be conducted with more of sympathetic understanding than dealings between the employers and business agents of a trade union. There are some problems, however, that extend far beyond the bounds of a single factory, and seem to call for solution for the industry as a whole. This is a point of attack upon employee representation that is frequently made the most of by trade unionists. Yet another is that shop committees, having no relations with groups of workers outside the limits of one plant, are virtually helpless if the management refuses to grant even the fairest of re-

[23] *Britain's Industrial Future*, p. 226.

quests. This criticism is a reflection, of course, of the trade unionist's belief in preparedness, and his willingness to exert economic pressure whenever necessary.

The Advisory Nature of Employee Representation

This brings us to another characteristic of employee representation; namely, that its adoption does not mean the furtherance of collective bargaining. For collective bargaining presupposes an approximation to economic equality on the part of those engaged in bargaining; and we have seen that the employee representation type of labor organization does not provide for the development of the workers' economic power. This, indeed, is one reason why it is favored by certain employers. Collective bargaining may be a fine thing in the abstract, but applied to concrete situations it is quite likely to hurt.

There can be no question that employee representation has usually been introduced with the thought of getting the views of the employees, but of conforming to those views only when conformity was in line with managerial notions of what ought to be done. One of the earliest writers on the subject felt that every well-devised plan of employee representation gave the workers a "voice in the management," but *"up to a certain point only."* [24] Sam A. Lewisohn, Vice President of The Miami Copper Company, says that "the principle of consultation" is the basis of employee representation. "Work *must* be done. Therefore, though it is essential to avoid the slightest hint of autocracy, consultation of workers must be built around and be subordinate to executive leadership and control." [25] E. R. Burton, an authority on employee representation, notes that in most cases the workers' share in management is of an advisory char-

[24] W. L. Stoddard, *The Shop Committee*, pp. 22–24. New York: The Macmillan Co., 1919.

[25] *The New Leadership in Industry*, pp. 120–25.

acter.[26] Vice-President Hall, of the American Telephone and Telegraph Company, says that employee representation "does not mean management of the business by representatives," and that the "checks and balances and curbs" of political democracy are not wanted or needed in industry.[27] These expressions of opinion are illustrative of the views of a large number of managers. Indeed, as Mr. Burton points out, management is not usually free to grant genuine control to the workers: "In the typical corporation today the management is composed of salaried persons who are responsible to the board of directors as the constituted representatives of the stockholders. The management, therefore, is not regarded as possessing the right to delegate any of its authority to the rank and file. The committees established by employee representation in most cases are consequently conceived of as having essentially *advisory* functions, being called upon to recommend to the management actions which the latter remains free to adopt or reject."[28] Reference to James Myers's classification of employee representation plans,[29] will show that not all plans grant to the shop committees advisory powers only, but this is so commonly the case that it seems best to refer to employee representation as a system of collective dealing rather than one of collective bargaining.

Employee Representation as a Non-Union Movement

Employee representation is not, then, the same thing as trade unionism. Mr. Hall, whom we have quoted several times, goes so far as to declare that "these two types of organizations are two different species and they are unnatural, artificial and devitalized in proportion to the

[26] *Employee Representation*, p. 74.
[27] *Personnel*, February, 1928, p. 76.
[28] *Employee Representation*, p. 73.
[29] See p. 61, above.

degree to which they are forced to resemble each other. You take your choice as to which you think is best for the industry; but they are so far apart and so different in every possible way that it is, as it looks to me, just impossible to get from the older form of organization or method of dealing anything that is going to help the newer method."[30] Few employers are so outspoken as Mr. Hall, though doubtless many could be found who would endorse his statement. It is certainly true that the employee representation movement is distinctly *non-union,* and by some it is regarded as definitely *anti-union.*

In the days of employee representation installed by governmental edict, there were shop committes in some shipbuilding and metal-working plants in which more than half of the workers were union members.[31] But the plans introduced by the government boards have almost wholly disappeared, and employee representation is now seldom found in union shops, though it operates in many plants that employ some union men. Five years ago, the National Industrial Conference Board estimated that more than 95 per cent. of the plants having works councils were conducted on the open-shop principle,[32] and it is probable that the percentage is even greater today. The estimate applies only to the United States, of course; in European countries, employee representation is carried on in conjunction with strong trade union organizations. In America, it has had almost no contact with orthodox unionism, having been set up, in the main, in industries in which the workers had never been organized, or in others in which the trade unions had gone down to defeat.

The non-union nature of employee representation is expressed in a statement by a prominent industrial adviser: "After all, what difference does it make whether

30 *Personnel,* February, 1928, p. 78.

31 *Works Councils in the United States;* Research Report 21, p. 18. New York: National Industrial Conference Board, 1919.

32 Myers, p. 85.

one plant has a 'shop committee,' a 'works council,' a 'Leitch plan,' a 'company union,' or whatever else it may be called? These different forms are but mechanisms for putting into practice . . . 'family factory relations' and local shop expression. They can all be called 'company unions,' and they all mean the one big fundamental point —*the open shop.*''[33] But the use of shop committees or works councils does not always mean the open shop, for some of the much-despised devices of trade unionism have been adopted in connection with employee representation. The closed shop (*non-union* of course) is maintained by a number of public service companies through the use of a contract specifying membership in the company union but in no other; and the check-off, providing for the deduction of company union dues from the worker's wage, is employed by some of the railroads, at least.[34]

Devices Sometimes Associated with Employee Representation

The fact that profit-sharing and employee stock purchase schemes are sometimes found in connection with employee representation has led many to believe that these devices are essential parts of the employee representation machinery. But this is not the case. Profit-sharing and employee stock ownership may and do exist in plants in which there are no signs of shop committees, and employee representation may flourish in the absence of these plans for supplementing the workers' incomes.

Profit-sharing, on the whole, has found small favor in the United States. As regards its relation to employee representation, an official of the National Industrial Conference Board states that he is "not aware that profit-sharing is any more common in plants which have repre-

[33] D. R. Kennedy, in *Industrial Management*, February, 1920, p. 152.
[34] Dunn, pp. 166–70.

sentation plans than in others."[35] A recent report on employee representation showed that five of the eleven firms whose representation plans were analyzed shared profits with the employees; but these eleven firms are generally recognized as being exceptionally advanced in their labor policies.[36] A fairer test is a table compiled by William Filene's Sons,[37] which lists eighty plans of employee representation, with seventeen of this number providing for "profit-sharing and other financial schemes." A smaller group, but probably more typical of industry as a whole, are the sixteen Cleveland firms operating employee representation, but with no arrangement for profit-sharing save in the case of a single plan.[38] John Leitch thought an "economy dividend" was an essential if the workers were to be interested in the elimination of waste, and others have advocated bonuses of various kinds; but the fact that hundreds of plans of representation are functioning without profit-sharing is evidence that, though it may prove helpful in some instances, profit-sharing is not an essential part of the employee representation movement.

Employee stock ownership is in a similar position. Though it has achieved great popularity in this country during the past ten years, and has often been associated with employee representation, it is not an indispensable adjunct of representation, nor is it in any way dependent upon employee representation for its successful operation. The truth is that employee representation, profit-sharing, and employee stock purchase plans are three separate and distinct devices of labor management, as it is conducted today. At times they have been used to advantage in combination; but more often, and with equal

[35] In a letter to the writer, dated June 18, 1928.

[36] *Employee Representation Plans,* Report 67. New York: Metropolitan Life Insurance Co., 1924.

[37] Reproduced in Lauck, pp. 348–52.

[38] *Employe Representation in Industry.* Cleveland: Cleveland Chamber of Commerce, 1923.

success, one of the three has been employed with no reference whatsoever to the other two.

The Scope of Employee Representation

A proper understanding of employee representation demands some knowledge of the activities in which the shop committees engage, and the disposition made of matters which come to them for settlement. It is correct to say that very few restrictions are placed upon the nature of the subject matter that may be discussed by these chosen representatives of management and workers. At the outset of the movement, attempts were made by a few concerns to confine discussion to such comparatively harmless subjects as might be grouped under the heading of "welfare measures." But instances of this kind were rare, and plans that ruled out fundamental matters, such as wages and hours, were, even from the beginning, known as "limited" plans.

Employee representation, as most commonly met with in American industry, does not restrict the conference activities of the joint bodies. All matters that pertain to the successful operation of the plant, or to cordial relations between employer and employees, come within the scope of employee representation, and are discussed freely in joint conference. The subjects usually considered by shop committees may be grouped as follows: (1) questions of grievances; (2) terms of employment, including hours of labor and wages; (3) working and living conditions; and (4) constructive measures relating to production.

Grievances and Complaints

Many labor troubles in the past, including not a few strikes, have resulted from the inability of workers to secure hearings on matters which seemed to them to involve injustice. The military form of industrial manage-

ment, with the foreman as chief disciplinarian, has probably been most often at fault in giving the impression that the employees are being dealt with unfairly. Foremen have often had unrestricted authority in hiring and firing, as well as in administering discipline during the term of employment. Some undoubtedly have done the job well, but there is abundant proof that others have done more to destroy good shop morale than to develop it. Unwarranted bawlings-out, arbitrary docking of wages, and peremptory discharge have brought their harvest of hard feeling in the shop, "soldiering" on the job, and an undue amount of labor turnover.

Employee representation enables the workers to protest against such treatment, with reasonable assurance of an impartial hearing and a just decision. The old theory of upholding the foreman in the interest of shop discipline, no matter how unreasonable his decisions, is in process of passing away. Under employee representation, foremen are required to justify their conduct, and the knowledge that they may be called upon for an explanation has acted as a curb upon arbitrary action. Unsatisfactory relations between foremen and those under them have not been the sole cause of grievances and complaints, but they have been a very frequent and important cause. Other protests that shop committees are asked to consider relate to faulty ventilation, lack of proper sanitary equipment, poor drinking water, inadequate safety devices, and a hundred other matters connected with the physical condition of the plant.

Writers have commented upon the fact that when a system of representation is first introduced, the number of grievances to be heard is very large; but once the plan has got well under way (and, presumably, unsatisfactory conditions have been properly adjusted) the proportion of complaints becomes perceptibly smaller. And yet the task of settling grievances will no doubt always remain an important part of shop committee activity. Misun-

derstandings are bound to arise, and it is the job of efficient management to see that they are cleared up as promptly as possible. Shop committees have done much, in this way, to convince the workers that they are getting a square deal. The method of procedure followed in handling complaints is very simple. The aggrieved employee first takes his case to a member of the shop committee. The difficulty can sometimes be adjusted satisfactorily through consultation between the committeeman and foreman, or the committeeman and proper administrative official, as the case may be. This is usually all that is necessary in matters that involve simple misunderstanding or plain oversight. If the grievance is a more serious one, with much to be said on both sides, it goes to the shop committee for a hearing; and, if necessary, it may be submitted to high executives, or even to impartial arbitration by an outside board.

That the workers' grievances are not, as a rule, mere figments of the imagination, is indicated by the very large proportion of complaints, sometimes as great as 60 per cent. to 70 per cent., that are settled in favor of the workers.

Terms of Employment

A second group of subjects falling within the scope of employee representation has to do with the terms of employment. These include wages, hours of work, and also such matters of import as working schedules, accident prevention, health conditions; and sometimes suspensions, discharges, and promotions are included as well.

Collective dealing of this kind differs from orthodox collective bargaining chiefly in the absence of economic power on the part of the workers. Occasionally, the wages of non-union workers are determined by genuine collective bargaining, though not bargaining by the non-union employees. In the mines of the Colorado Fuel and Iron Company, for example, the wages of the work-

ers are adjusted to match those secured, through collective bargaining, by union miners working for competing operators. But it is more usual to conduct wage negotiations, under employee representation, on the basis of the condition of the particular business concerned, than with reference to wages paid in another part of the industry.

Most plans of representation permit the employees to present claims for wage advances; and if the advance is denied, the employer is expected to state his reasons for rejecting the proposal. This means, in some cases, a detailed statement of costs, profits, and probable future market conditions. More often, however, the employers do not open up their books for scrutiny by the representatives of the workers, but simply make a definite statement that a wage increase will be granted, or that it is out of the question. One of the most difficult tasks that a shop committee can be called upon to perform is to consider a reduction in wages. This was the unpleasant duty of the Conference Board (or shop committee) of Armour and Company, in Chicago, shortly after the installation of its employee representation plan. After full consideration, the Board agreed to a wage decrease. This was naturally an unpopular decision, and a strike in protest of the wage cut was called, but very few workers responded and the strike was soon over. Within a year the employee representatives proposed a wage increase, and an advance of approximately 10 per cent. was approved and made effective. "Since that time, a survey of wage and working conditions in the vicinity of the large plants is a regular event each spring, and it is worth noting that on at least two occasions the employee representatives themselves declined to support a wage-increase request after their survey, without the matter coming to the formal attention of the Board." [39]

Mr. Burton cites an instance showing the many

[39] Harvey G. Ellerd, *Experiences with Employee Representation.* In *Proceedings of the Academy of Political Science,* June, 1928, pp. 115–16.

phases of wage-fixing in which shop committees may have a part under employee representation: "The shop crafts on the Pennsylvania Railroad, through their representatives on piece-work price committees, not only have a voice in adjusting apparent inequities in the piece rates set by the management, but they have exercised effective participation in the determination of just what jobs shall be on a piece-work basis and which shall be paid by the hour. Wage differentials, as between different occupations or grades of workers, bonuses for quantity or quality, overtime rates, the form and method of wage payments, and many other aspects of the wage problem have been worked out in conferences between management and employee representatives."[40]

The right to discuss wages in conference does not carry with it authority to arrive at final decisions and put them into execution. In practically all cases, the president or other high official has the last word, though it is sometimes possible, through arbitration, to put the matter to a supposedly impartial tribunal. The same sort of procedure, and the same limitations, apply ordinarily to shortening the hours of labor and to any proposed changes in working conditions that would entail considerable outlay or perhaps increase the costs of production.

Living and Working Conditions

But living conditions and some types of shop conditions come more fully within the authority of the shop committees. If the plant is situated in an isolated community, with employees' houses built and maintained by the management, there are many activities connected with living conditions, in which a works council may well engage.

What can be done in this respect is illustrated

[40] *Employee Representation,* pp. 232–33.

most forcefully in the oft-repeated story of the Dutchess Bleachery, of Wappingers Falls, New York. In undertaking to improve living conditions, the shop committee faced an almost unbelievable situation. About a thousand persons were housed in company buildings under very unwholesome conditions. But within a few years, something of a revolution was effected through the work of the committee. More and better water was made available; sanitary conditions were vastly improved; and repairs to dangerous foundations, leaking roofs and rotting stoops made the dwellings habitable once more. Not content with these advances, the committee branched out into wider community functions, providing for and conducting educational classes, athletic contests, sociables, and other forms of social work.[41]

But improved living conditions inaugurated along with employee representation, have not always been the work of the committees. The excellent living conditions of the miners employed by the Colorado Fuel and Iron Company were said, upon investigation, to be due primarily to the initiative of the management.[42] Activities within the plant, which are ofttimes left in the hands of shop committees, include such matters as the operation of restaurants or lunch-rooms for the workers, the publication of shop magazines, the organization of athletic clubs, the administration of pensions and other forms of relief, the training of workers for better jobs, and so on. In these and similar matters the joint committees have functioned smoothly, and have relieved the management of a multiplicity of tasks with which it would otherwise have been burdened.

[41] Details may be found in Ben M. Selekman, *Sharing Management with the Workers.* New York: Russell Sage Foundation, 1924; and in James Myers, *Representative Government in Industry,* already noted.

[42] See Ben M. Selekman and Mary Van Kleeck, *Employes' Representation in Coal Mines,* p. 144. New York: Russell Sage Foundation, 1924.

Improvements in Production

The workers' part in developing better methods of production consists very largely of making suggestions for improvements in productive methods, through which economies can be effected. Such suggestions may relate to physical conditions in the plant, or to a more economical way of handling men or materials. A knowledge of scientific management is not necessary to enable one to see that decreases in absences and gains in quantity and quality of product may result from simple changes in working arrangements, such as providing seats readily adjustable in height, or eliminating glare due to sunlight reflected from an adjoining building. In some instances, the unsatisfactory conditions may wholly escape the notice of the management, and even of a majority of the workers. For example, improper ventilation, causing drafts, may affect only a fraction of the employees, but that fraction very seriously. The need for new tools, for better routing of materials, and for more adequate inspection of the finished product, is often more apparent to the workers directly interested, than to a foreman or superintendent who is loaded down with many cares.

The desirability of having workers offer suggestions has been recognized for years, as is shown by the prevalence of "suggestion boxes," into which employees are invited to drop their written proposals. Sometimes payment has been made for all usable suggestions, but on the whole the interest manifested by the workers has not been great or long-sustained. It is quite a formidable undertaking, for the average worker, to attempt to put down on paper a clear and adequate statement of a proposed improvement, together with reasons why it should be adopted. He is much more likely to be willing to present it in person to his representative, who, if the suggestion appears to be a good one, may bring it up for thorough discussion in shop committee meeting. There

is probably no better evidence that workers have worthwhile ideas than the fact that, in the Baltimore and Ohio Railroad, some 20,000 suggestions made by employees have been accepted as practical and worthy of being put into effect. It may be added that representation in this organization is on a union, and not a non-union, basis. But the example shows clearly that workers are able to make definite contributions to productive methods, and that they can be induced to present their ideas through their chosen representatives.

Some Figures on Employee Representation Activities

Because of differences in shop conditions and methods of classification, it is impossible to make a satisfactory estimate of the relative numerical importance of cases handled by employee representation committees. Dean Miller, in analyzing the work of a number of shop committees, found in 1922, that 90 of these committees had given consideration to grievances; 80 to working conditions; 75 to wages; 75 to hours of labor; 64 to discipline; 39 to recreation; and 35 to production methods. There were, in addition, many minor questions which had received the attention of but few committees.[43] The list gives some notion of the scope of works council activities, but no indication, of course, of the number or percentage of cases of each type that came before the committees.

It is safe to say, from figures that have thus far been made public, that wages and working conditions are the subjects most frequently discussed. In some concerns (as, for example, the Bethlehem Steel Company and Standard Oil Company), one-fourth of the questions considered by the shop committees relate to wages; and the interest shown in working conditions is almost as great. In the River Works of the General Electric Company, Lynn, Massachusetts, almost 50 per cent. of all cases

[43] Miller, p. 110.

handled from 1919 to 1927 were questions of individual or group wages.[44] In the presence of differences of this kind, generalizations, except of the vaguest sort, are distinctly out of place. It is hazardous, likewise, to make general statements as to the disposition that committees have made of cases that have come to their attention. But it may be mentioned that an eight-year record of the River Works of the General Electric Company shows that of the 349 cases handled by shop committees, 131 (or 37.5 per cent) were decided for the employees, 121 against the employees, 92 were withdrawn, and five were disposed of by the manager.[45] Records of attendance at elections are not plentiful, but a statement from the Bethlehem Steel Company shows that 93 per cent. of the eligible employees in the company's eleven plants voted for employee representatives in 1927. This is a striking example of interest in employee representation. It is not presented as typical; indeed, interest in employee representation, like interest in trade unionism, is sometimes great and sometimes small, depending upon many factors, both tangible and intangible.

The Growth of Employee Representation

The painstaking investigations of the National Industrial Conference Board make it possible to give some idea of the spread of employee representation in the United States, and the types of industries in which it may be found. Studies conducted by the Board over a period of years have produced the following statistics:[46]

[44] *Employee Representation or Works Councils,* p. 22. Washington: Chamber of Commerce of the United States, 1927.

[45] The same, p. 27.

[46] The data presented in this and the following paragraphs are from the National Industrial Conference Board. The figures from 1919 to 1924 are in *The Growth of Works Councils in the United States;* and those for 1926 in *Employee Representation or Works Councils* (Chamber of Commerce of the United States).

TABLE II

GROWTH OF EMPLOYEE REPRESENTATION IN THE UNITED STATES, 1919 TO 1926

(National Industrial Conference Board)

Year	Number of Companies Using Employee Representation	Number of Separate Works Councils	Number of Workers under Employee Representation
1919	145	196	403,765
1922	385	725	690,000
1924	421	814	1,240,704
1926	432	913	1,369,078

These figure show that employee representation has been making steady progress all along the line. In 1926, representation was being used by three times as many companies as in 1919; more than four and one-half times as many works councils were functioning; and the number of workers coming under their jurisdiction had considerably more than tripled. The tremendous increase in the number of workers affected, which took place between 1922 and 1924, was due largely to the adoption of employee representation by many of the great railroads, following the strike of 1922. The addition of these organizations employing large numbers of workers almost doubled the number of employees represented by shop committees, without increasing in like proportion the number of companies using employee representation or the number of separate committee systems.

Railroads and other public utilities employ more than one-half of the workers included in the table, since fifty-one of these public service organizations have a trifle more than 700,000 employees under shop committee rule. Iron and steel mills supply almost 100,000 more; plants making electrical goods, about 80,000; and street railways, 70,000. It should be noted that these are in-

dustries in which, except for the railroads, trade unions have been weak or non-existent. The automobile industry has remained untouched by either trade unionism or employee representation, save for two companies, with 5,000 workers, that have adopted shop committee systems.

The numerical strength of employee representation lies in its use by relatively few very large concerns. Sixteen of the largest companies have an average of 52,435 employees; and if we add the thirteen next largest we shall have accounted for nearly a million of the grand total of 1,369,078 who are working under employee representation. The statistics of the Conference Board show that, while the movement is flourishing in the large establishments, it is on the wane in small plants; for example, sixteen plants with fewer than 200 employees each had works councils in 1919, but the number had dropped to seven by 1926. The trend of employee representation, as is shown by Table II, is distinctly upward, but every year witnesses the demise of a number of plans which, for one reason or another, have not been able to survive. The data show that for every year from 1919 to 1926 the number of companies introducing employee representation averaged 78.4, while the number discontinuing averaged 37.4 a year. With an average net gain of 41 companies a year during this period, employee representation has been enabled to march steadily onward, and to enroll under its banner almost a quarter of the organized workers of the country.

Relative Strength of Unionism and Employee Representation

We have referred to trade unionism and employee representation as competing forms of labor organization, and we may now undertake a few comparisons of the two movements, on the basis of the data before us. Unfortunately, statistics of employee representation are avail-

TABLE III

COMPARISON OF AMERICAN FEDERATION OF LABOR MEMBERSHIP WITH NUMBER OF WORKERS UNDER EMPLOYEE REPRESENTATION, 1919 TO 1926

Year	American Federation of Labor Membership	Workers under Employee Representation	Total	American Federation of Labor Per Cent of Total	Employee Representation Per Cent of Total
1919	3,260,068	403,765	3,663,833	88.9	11.1
1922	3,195,635	690,000	3,885,635	82.2	17.8
1924	2,900,000	1,240,704	4,140,704	70.0	30.0
1926	3,303,966	1,369,078	4,673,044	72.8	27.2

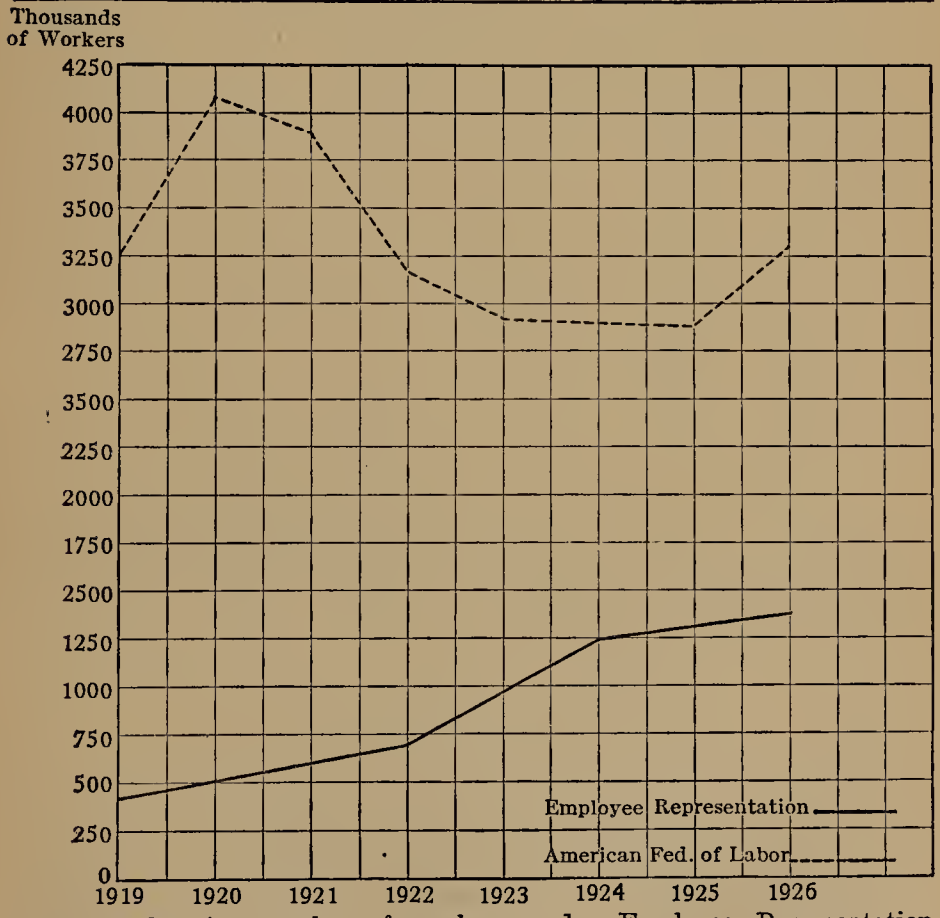

CHART 4—Showing number of workers under Employee Representation Plans, and membership of American Federation of Labor, with 1919 as base year. (Data for Employee Representation are available only for 1919, 1922, 1924, and 1926.)

able only for 1919, 1922, 1924, and 1926. These statistics are combined, in Table III, with those of American Federation of Labor membership for the corresponding years. They enable us to see quite clearly that, in respect to numbers, the employee representation movement developed much more rapidly than trade unionism in the seven-year period. Chart 4 shows graphically the continuous progress of employee representation, and the

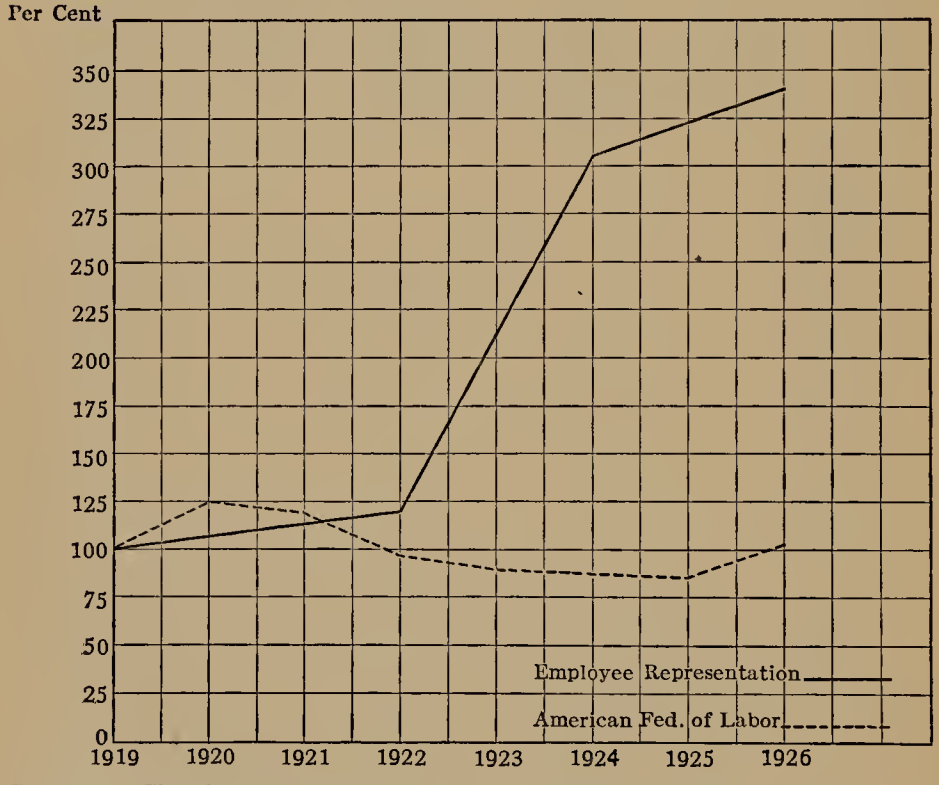

CHART 5—Showing percentages of total organized workers belonging to American Federation of Labor or working under Employee Representation Plans, in 1919, 1922, 1924, and 1926.

slump suffered by the Federation during a part of this period. The percentage curves in Chart 5 indicate even more clearly the rapid increase in the number of workers under employee representation, and the difficulties experienced by the trade unions in holding their own. Turning again to Table III, we see that the combined total of workers under employee representation and in

the American Federation of Labor, shows continuous increases for the years given. The years 1922 and 1924 brought to the Federation smaller shares of the total number of workers than it had enjoyed in 1919, the base year. But from 1924 to 1926 the Federation gained 403,966 members as against 128,374 new workers for employee representation, and thus recovered a little lost ground, which raised its proportion of the combined total from 70 per cent to 72.8 per cent. (See Chart 6.) It is impossible to say to what extent the employee represen-

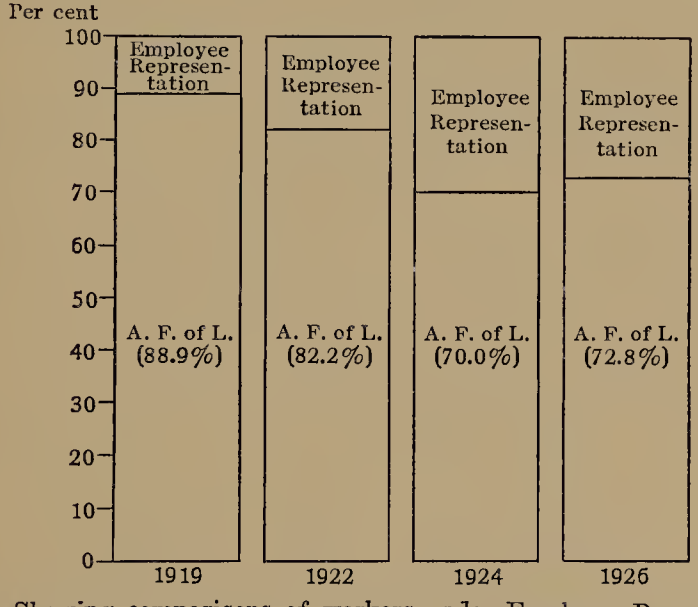

CHART 6—Showing comparisons of workers under Employee Representation Plans with membership of American Federation of Labor, in 1919, 1922, 1924, and 1926. (Data for Employee Representation are available only for these four years.)

tation movement has prospered at the expense of trade unionism. Though the membership of the Federation in 1926 was somewhat greater than in 1919, it was three-quarters of a million less than in the banner year of 1920. The American Federation of Labor has unquestionably lost members, but few more, its officials say, than they expected to lose, in view of existing business conditions. There have also been some losses due to the coming

of employee representation, but the extent of these losses cannot be stated with any degree of accuracy.

Nor can prediction as to the future trend of labor organization be made with safety. So long as large numbers of unskilled and semi-skilled workers remain wholly unorganized, there would seem to be plenty of room for expansion on the part of employee representation; for workers of these types do not fit well into the present trade union scheme. On the other hand, it is possible that industrial unionism may be called upon and put into operation by trade unionists, in their fight against the company union. Certainly, there is no chance of trade unionism surrendering to employee representation without a fierce struggle; and the gains in Federation membership from 1924 to 1926 may be an indication that workers are taking new interest in the trade union movement.

Membership figures of the American Federation of Labor have been employed in several of the above comparisons, since the Federation is the outstanding representative of trade unionism in this country. But in making a final comparison, we may use the estimate made by the United States Bureau of Labor Statistics, of all trade unionists in the United States in 1926. Adding the Conference Board's figure of 1,369,078 workers under employee representation, to the Bureau's estimate of 4,443,523 trade unionists,[47] we have a total of 5,812,601 workers included in these two types of labor organization; and of this total a little more than three-fourths (76.4 per cent, to be exact) belong to the American Federation of Labor, the Railroad Brotherhoods, and other organizations of the strictly union type.

The Present Status of "Whitleyism"

Few writers on employee representation have failed to refer to the Whitley Council movement in England,

[47] See p. 24, above.

and the part it played in arousing American interest in works councils. Not to depart wholly from this well-established and useful practice, we may give here a very short sketch of "Whitleyism," and add a word of British comment as to its value in the solution of present-day labor problems. In 1916, Mr. Asquith, then Prime Minister, appointed a Committee on Industrial Relations, headed by Mr. J. H. Whitley, which was empowered to outline a plan of industrial organization based upon a closer cooperation between capital and labor. This Committee recommended the establishment, in every large industry, of standing Joint Industrial Councils, with equal representation from employers' associations and trade unions, for "the regular consideration of matters affecting the progress and well-being of the trade, from the point of view of all those engaged in it." Though the Whitley Committee suggested the general nature of the subjects to be discussed, the individual Councils were given considerable latitude in this respect. These Joint Industrial Councils are national in their scope, and are intended to govern matters relating to whole industries. Ordinarily, they hold not fewer than four meetings a year. The national councils are authorized to appoint district councils, performing the same general functions but in more restricted areas. Finally, under the Whitley plan, there are works councils in the various industrial establishments, with employer representatives appointed by the management, and employee representatives elected by the trade unions.

There will be noted here some resemblance to both trade unionism and employee representation, as practiced in the United States. The Joint Industrial Councils are similar, in organization and purpose, to the Constructive National Joint Councils of American trade unionism,[48] though they far outnumber the few examples to be found in this country. The works councils, on the other hand,

[48] See pp. 21–22, above.

are like the shop committees of employee representation, in providing for continuous, close relationships in industrial establishments. There is, however, the important distinction that they are union bodies, backed by strong trade union organizations, and not the non-union committees so heartily condemned by the American Federation of Labor. The works councils in England, then, are intended to supplement the trade unions, and not in any sense to supplant them. Opinion is divided as to the success or failure of Whitleyism. Certainly it has not lived up fully to the expectations of its founders. Of the seventy-four national councils that had been established by 1921, twenty-seven have disappeared entirely, and some of the forty-seven that remain are not functioning satisfactorily. "It would be gravely misleading, however to say—as is sometimes said—that the Whitley scheme has failed," reads the Report of the Liberal Industrial Inquiry. "In those industries in which the conditions were favorable, it has not only worked well, but has given birth to a new conception of what the cooperative regulation of industry may be."[49] The Report goes on to explain that the limited success of the Whitley plan is attributable (1) to the attempt to establish the councils during years of the fiercest industrial strife that England has ever known ("and it is fair to say that the Whitley industries were less affected by this strife than others"); (2) to the withdrawal of government assistance, resulting from the adoption of a program of economy; (3) to the fact that the councils have no definite power to enforce their decisions; and (4) to the absence of factual knowledge and of authority to compel firms to produce necessary data. The conclusion reached is that "it is not surprising that, having to face all these difficulties, the Whitley Council experiment did not at once achieve complete success. The surprising thing is that it should have

[49] *Britain's Industrial Future,* pp. 171–75.

done as well as it has actually done."[50] The organization of industrial workers into works councils seems to this committee to be of the utmost importance; and the committee recommends that every concern employing more than fifty persons should be required to establish a General Works Council, representative of all elements engaged in the work of the factory. This proposal is in itself a strong endorsement of works councils, and an indication that they have proved useful in the maintenance of amicable labor relations. If the measure is adopted, it will add another point of difference between British and American works councils, since the latter are on a strictly voluntary basis and are wholly free from governmental control.

[50] The same, p. 175.

CHAPTER IV

THE OBJECTIVES OF EMPLOYEE REPRESENTATION

In attempting to get at the purposes back of employee representation, one learns that the motives that gave rise to the movement were high or low, depending upon whether the evidence at hand is that of an employer championing employee representation or a trade unionist denouncing it. This is only to be expected. It is always difficult to determine motives, and doubly so when the proposition to which they relate is regarded by some as very desirable, and by others as distinctly bad.

But we are not dependent solely on the testimony of those who favor or oppose employee representation, nor yet upon that of the presumably impartial general public. "What you are speaks so loud I cannot hear what you say you are"; and the ten years that have passed since the World War turned a few scattered experiments into a movement have left behind a record of deeds as well as words. By examining the history of employee representation, short as it is, we shall be able to learn what were some at least of the objectives of those who joined up with this movement. Some, as we shall see, included the welfare of worker and consumer; but others were not of so high an order. There will be no need to consider the relatively slight number of plans made operative by governmental edict, since shop committees in many of these instances were forced upon employers against their will. With these exceptions employee representation in the United States has been instituted vol-

untarily by the employers; and it is the aims of these employers into which we shall now inquire.

Dreams of Industrial Democracy

The first of these is a desire to bring into industry something approaching democratic procedure in the determination of policies affecting intimately the interests of the employees. The idea of industrial democracy is not new, and the actual operation of several representation plans antedated America's entry into the war by a number of years. John Leitch had introduced his governmental system of representation as early as 1913, and the beginnings of the Filene Cooperative Association, and of two or three other attempts at democratization of industry, go back even further. We have had, then, an evolution of the principle of industrial democracy, which in normal times might have gone on for many decades without making appreciable headway. But the times were not normal, and the war, with its emphasis upon world democracy, and the need for labor's help in bringing it about, played a large part in furthering the general movement toward democracy in industrial management. President Wilson, it will be recalled, spoke for "a genuine democratization of industry based upon a full recognition of the right of those who work, in whatever rank, to participate in some organic way in every decision which directly affects their welfare or the part they are to play in industry." The report of his Second Industrial Conference urged a recognition of the desire of the workers "to exert a larger and more organic influence upon the processes of industrial life," and recommended the adoption of "new machinery of democratic representation." The belief was expressed that such measures would not only eliminate largely the causes of industrial strife, but that they would "make for the introduction in American industry, of those demo-

cratic principles which constitute the most precious heritage of the American Citizen." At about the same time, a dozen or so of the great churches joined the protest against autocracy in industry, and issued statements demanding that the principles of democracy be applied to employer-employee relations. Industrial leaders, such as Cyrus McCormick, Paul Litchfield, and Henry Dennison, have been saying, for some years, that industrial democracy is just as proper and just as essential as political democracy; and as evidence of the faith that is in them they have given their workers a chance to make themselves heard through their elected representatives. Edward Filene, a pioneer in the field, regards it as perfectly natural that the worker should be dissatisfied with a master-servant relationship. "Is it any stranger," he asks, "that a man should have a voice as to the conditions under which he works than that he should participate in the management of the city and the state and the nation? If a voter on governmental problems, why not a voter on industrial problems?"

The Workers' Desire for a Status in Industry

The worker's demand for a position in industry that would be in keeping with his status as a free citizen is dealt with in the Report of the Liberal Industrial Inquiry. The problem in America is similar to that in England. In both countries the worker lacks security of employment. He may ordinarily be dismissed by the foreman over him, for a trivial or even an imaginary offense; and the loss of his job means the loss of income upon which he and his family are dependent for their subsistence. Though some employers have maintained the "open door," permitting workmen to bring to them for review any cases of seeming injustice, the tendency has been to uphold the foremen in their decisions, in the interests of efficient discipline. More serious than arbitrary dis-

missal of this kind is the possibility of unemployment which sometimes comes as a sequel to temporary excessive pressure for greater production.

In matters such as these, the worker has had no redress, though the consequences to him may be very serious. He has, indeed, been treated very much like a machine or piece of raw material—being utilized when the employer wishes, and to the extent to which he wishes, and left idle and neglected when to the employer it seemed wise to lay him off or close down the plant. "While, as a citizen, he has an equal share in determining the most momentous issues, about which he may know very little, in regard to his own work, on which he *has* knowledge, his opinion is seldom asked or considered, and he has practically no voice in determining the conditions of his daily life, except in so far as trade union action has secured it. Indeed, where management is inefficient and autocratic he is frequently compelled to watch waste and mistakes of which he is perfectly well aware without any right of intervention whatever. And this, despite the fact that when these errors issue in diminished business for the firm concerned, he, and not the management, will be the first to suffer by short time working or complete loss of employment."[1] Mr. B. Seebohm Rowntree, the well-known British manufacturer, in commenting on this situation, says that to secure cooperation in industry the worker must be treated "as a co-operator and not as a servant, and that gives him quite a different status from what he had, say, twenty years ago. Twenty years ago he frankly accepted the position of a servant, and all that he prayed for was that he might have a good master. In England that attitude has entirely disappeared."[2] In America, it must be confessed, there are still plenty of examples of the autocratic employer, as well as of workers who seem to be more inter-

1 *Britain's Industrial Future*, p. 148.

2 *Proceedings of the Academy of Political Science*, June, 1928, p. 167.

ested in higher wages and better working conditions than in exercising any share in the management of the business. Nevertheless, a definite start has been made in the direction of giving to the workers a genuine sense of participation in the industries in which they are making a living. In some instances, impelled by an innate desire to be fair, the employers have offered their workers a voice in determining the conditions and circumstances under which they should labor, long before there was any sign of restlessness on the part of the employees. Other managers have found it difficult to keep their workers contented without at least the appearance of self-government, and have adopted employee representation as a business maneuver rather than from any wish to aid in the spread of democracy.

Enfranchisement of the Semi-skilled and Unskilled

To provide democratic procedure in industry, then, is one of the objectives of employers in instituting employee representation. If it should be said that trade unionism already gave to workers a part in shaping policies that were to affect profoundly their working conditions, the answer is that there have been, and still are, many businesses in which trade unionism has not yet got a foothold; and even in those industries where it flourishes, there are usually to be found hundreds or thousands of unskilled or semi-skilled employees who are without representation because they have not been organized into unions. To these who in the past have been industrially disenfranchised, employee representation brings their first taste of industrial democracy. It is probable that fully half of the total number under employee representation are workers for whom orthodox unionism has as yet made no provision. To give to so large a group a part, however small, in the government of their working places, is an object well worth striving for. It is some-

times said that employee representation is undemocratic, because democracy demands that power shall be vested in the people, and under employee representation final authority rests not with the workers but with the management. There is much truth in the criticism, but the critics should not overlook the fact that a democracy may make progress by means of persuasion as well as through the use of force. Granting the limited powers of many shop committees, it cannot be doubted that much has been gained by the workers through the medium of employee representation; and the effectiveness of democracy may be measured quite as well by accomplishments as by a recital of theoretical powers. There is some question, too, as to the rapidity with which authority should be granted to those unaccustomed to the exercise of power. In a century or two, perhaps, it will be feasible to give representatives on shop committees powers that are complete and final; to do so now would unquestionably spell disaster. In the meantime, we may observe that the committee representatives of today have frequently exhibited an ability to extend their powers, and to include within their province many matters not originally thought of as fit subjects for employee representation legislation.

Closer Contact between Employer and Employees

The earlier writers on works councils were very fond of referring to the employee representation movement as an effort on the part of liberal-minded employers to bring back the close contacts and friendly relations that were characteristic of the days when business was transacted on a small scale and employers were personally acquainted with their workers. A similar motive has often been used in accounting for the installation of personnel departments. But Dr. Leiserson has recently explained that the notion is all wrong, and in this view he has been seconded by Mr. Dennison. Dr. Leiserson,

speaking from a wealth of knowledge of the clothing and other industries, holds that almost invariably the worst labor relations are to be found in the small shops, and there, as a consequence, occur the bitterest struggles between employers and employees. The large standardized plants, it seems, will not stoop to the mean tricks of the smaller employers.[3] And yet there remains something to be said for the argument that personnel departments and employee representation provide a "closer contact" which should, and sometimes surely does, result in a greater degree of industrial justice. Whenever a business is so large that petty executives may bear down harshly upon their subordinates, without the knowledge of a high executive and with no means of ready appeal to a high executive, then there is need for a closer contact between employer and employees. When grievances go unheard, and real injuries unredressed, because there is no machinery for letting the employer know the conditions that exist in his plant, then, however large or small the establishment, there is need for closer contact.

A contact of this kind is supplied by every employee representation plan worthy of the name. While such contacts do not involve slapping the worker on the back and calling him by his first name, they do something much more important and even more productive of friendly feeling. They keep the employer informed of the conditions under which his men are working, and they give the worker confidence that injustice will not go unrebuked. It is closer contact of this sort that an employer is establishing when he introduces employee representation into his plant in order to limit the power of autocratic foremen. Employee representation, to be sure, does not mean daily contact of the back-slapping, jollying type, but, like the wireless of an ocean-going vessel, it stands ready for use at all times, and, in times of emer-

[3] The same, pp. 96, 141; also *Personnel*, February, 1928, p. 125.

gency, it opens up a line of communication which may be the means of averting great disaster.

Need for Good-Will and Cooperation

Though in some instances employee representation has been an expression of the high idealism of employers —an eagerness to bring about a wider application of the principles of democracy—there are objectives of a practical nature that have played an even larger part in the spread of the shop committee idea. The constitutions and other material published by concerns that have adopted employee representation indicate that there has been a very general hope of securing greater productive efficiency by quieting industrial unrest, substituting good-will for ill-will, doing away with strikes and other militant activities sometimes indulged in by labor, and winning the whole-hearted cooperation of the workers. The need for industrial efficiency following the war was evident. For some months there was a cry for more goods of all kinds, and particularly in those lines of manufacture that had been restricted during the war. Once this demand had been satisfied, there was still need for efficiency in individual concerns, since competition was exceedingly keen. Many plants had over-expanded during the war period, and in order to keep this excess equipment in operation, increased efficiency, with its attendant lower costs, was necessary. The desire to keep down the costs of production, and thus be able to under-sell competitors, is not peculiar to war or post-war conditions; but it was greatly emphasized by the excessive degree of competition which followed hard upon the close of hostilities. The war had aided, too, in raising high expectations among industrial workers, which, when unrealized, resulted in widespread industrial unrest. Employees had been flattered and made much of, and for several

years had drawn good wages. They had been led to feel that, when world democracy was once attained, the workers would promptly come into their own. Instead, they found themselves soon in the midst of a serious business depression, competing with several million returned soldiers for the relatively few available jobs, forced in some cases to accept very considerable reductions in pay, and further outraged by an aggressive open shop campaign waged by the strongly entrenched associations of employers. These circumstances may have been unavoidable, in large part, but in any event they were sufficient to account for a very general and bitter resentment among industrial employees, and to lead the despairing workers to declare strikes even in the face of almost certain defeat.

The Post-War Industrial Unrest

How to turn ill-will and suspicion into good feeling and cooperation, was the problem before many employers in the early years of the present decade. There were some, of course, in whom the employees had such complete confidence that their loyalty was unaffected by adversity, and others whose business had been but lightly touched by post-war conditions. But the unrest was so general as to cause considerable anxiety as to its probable outcome; and to result in the calling of two industrial conferences by President Wilson, for the purpose of "consulting together on the great and vital questions affecting our industrial life, and their consequent effect upon all of our people." These conferences were not so successful as it was hoped they would be, due in part at least to the unwillingness of the employers to accept the principle of collective bargaining, but they produced some recommendations that were published throughout the land, and were widely discussed. The emphasis that was placed upon need for machinery for the representation of employees may have influenced some employers to adopt the works council idea. We know, at any rate, that

the years of which we speak witnessed a considerable increase in the number of representation plans in operation.

There is no reason to suppose that the motives prompting the introduction of employee representation are always flavored with altruism. Shop committees have been established with the thought of providing a safety-valve, through which the dissatisfaction of the employees might expend itself in harmless discussion. And, again, they have been introduced in order that the concern might give the impression of being progressive. Such instances, however, must be rare in comparison with those which represent a genuine desire to have a spirit of partnership and cooperation replace the old militaristic rule, "catch 'em young, treat 'em rough, tell 'em nothing."

To install employee representation because it seems to be good business, is not necessarily to an employer's discredit. He may, at the same time, be doing an excellent thing for his workers. The old law of economic harmonies, which taught that self-interest leads inevitably to the social good, is much the worse for wear, and is no longer regarded as infallible. But when an employer, by adopting employee representation, succeeds in reducing ill-will and industrial conflict in his plant and thus adds to productive efficiency, he has done a service to his employees as well as to himself, and we should scarcely begrudge him his material reward. Paul Litchfield, of the Goodyear Rubber Company, says that failure to give the workers representation in a business in which their interests are at stake and in which they have taken a risk will result in a "discontented labor force, based upon a feeling of injustice, which will so adversely affect production that the interests of those who furnish the capital and who buy the product will be in jeopardy."[4] And he comes to the conclusion that the only

[4] Paul W. Litchfield, *The Industrial Republic*, p. 76. New York: Houghton Mifflin Co., 1920.

real method of securing the good-will and confidence of labor is by direct representation of the workers in management.

Development of Confidence in Industrial Justice

Some of the ways in which employee representation may increase good-will and confidence have already been mentioned. One is through limiting the power of the foreman, for it is notorious that a large share of the industrial troubles of the past are properly chargeable to petty executives, who, "clothed in a little brief authority," have tried to make the most of it. Another way of inspiring confidence and developing good-will is by giving a prompt, sympathetic hearing to all complaints and grievances. Mistakes will be made, and misunderstandings will occur in the swift pace of modern production. Hence, the need of an agency to correct these mistakes, and to smooth out the misunderstandings. Also very important in the interests of good feeling, is the assurance afforded the workers that, in matters of direct interest to them, they have an advocate at court. This means that decisions will not be handed down from above without an expression, through elected representatives, of the workers' opinion on the subject. It means, in a word, the end of star chamber proceedings, which are as hateful in industrial as in legal decisions. It is true that the employees' opinions have often been overruled, but it is likewise true that they have often prevailed; and, in any event, there is some satisfaction to be had from making one's views known. The meetings of the shop committee afford an opportunity for bringing to the notice of the management any suggestions the workers wish to offer.

In time of trouble, a hearing by the committee, which partakes of the nature of a court of justice, replaces summary action by a foreman, which parallels closely the contempt proceedings conducted by a judge

whom one has offended. The very make-up of the shop committee, with equal representation for workers and management, smacks of that equality which is prized by men of both high and low estate. All in all, it is small wonder that employee representation has done a great deal to establish confidence and maintain friendly relations.

Gains in Productive Efficiency

But employee representation aims to do more than win the good-will and cooperation of the workers in the effort to reach the objective which we are now considering; namely, a gain in productive efficiency. These, it may be granted, are essentials to the desired end. They are, however, merely the starting point from which to set forth on a program of greater and better production.

Nor is it enough to provide machinery for considering suggestions which individual workers in the plant may choose to make, though some of these have proved extremely valuable. The more progressive shop committees appoint special committees, each entrusted with a phase of plant efficiency, such as the development of better production methods, improvements in the quality of the product, the training of workers, the elimination of waste, and so on. Work on the various committees in connection with employee representation has resulted in developing employees for more responsible positions, since it gives the unusual man a chance to display his initiative and powers of leadership. In this way, it serves as a sort of training school for minor executives—and an important point is that its graduates will have grown up in an atmosphere of cooperation and democracy. The shop committee meetings are not only opportunities for correcting mistakes, and for keeping the management informed as to the views of the workers, both individually and collectively; they are also the means of educating the

employee representatives on matters of company policy; on the prospects of holding or broadening markets; on the possibility—let us say—of avoiding threatened unemployment by increasing productive efficiency, reducing the selling price, and thus converting potential demand into effective demand. Such information is conveyed to the rank and file in daily conversation and at general meetings, and, if confidence and cooperation are complete, may result in a definite gain in production. Employee representation, at its best, aims to bring home to the employee the social significance of the work being done in his plant, and the part that he personally plays in supplying society with necessary goods. It seeks to make him dissatisfied to do less well than he is able the task set before him. And it sometimes offers, as a reward for increased efficiency, not only the knowledge of successful accomplishment, but a share in the profits as well.

Employee Administration of Various Activities

Yet another reason for installing employee representation is to provide an agency through which the burdens of the management might be lightened, and its wishes be put smoothly and easily into effect. The usefulness of shop committee organization in administering the many welfare or service activities that are commonly carried on, should be apparent. If management were charged with looking after the multitude of tasks connected with the service activities of a large modern business establishment, it would be a busy management, indeed. The personnel department, if one has been established, usually has general supervision over matters of this kind, but does not undertake to handle all of the details. Since the service activities are carried on primarily for the benefit of the employees, though they are ordinarily regarded by the management as good business investments,

it seems only fair that the employees should do the work that is entailed; indeed, there are some types of service activities that are pretty certain to come to grief unless they are distinctly employee activities—controlled by and administered by the workers. The love of independence and dislike of paternalism are nowhere more evident than in the conduct of service activities, and it is customary for the employer's part in such activities to be kept discreetly in the background. Employee representation or no employee representation, the operation of recreational and educational programs, plant magazines, pension and other benefit plans, and similar features, has rested largely with the workers. But the shop committee organization is especially well equipped to handle jobs of this kind, and to impart to service activities a spirit of democracy for which they have not always been famous.

Easy Introduction of New Policies

The presence of employee representation machinery aids the management, too, in carrying out another difficult and sometimes unpleasant task. The announcement of new policies, regardless of their purpose and the circumstances leading to their adoption, is likely to be received with a good deal of distrust and suspicion, and may even meet with open opposition. Even when the proposed change, on the face of it, seems to be favorable to the employees, there will always be workers who are sure that there must be a catch in it somewhere—for who ever heard of the boss giving his men something for nothing! This is an expression of the theory of conflicting interests, which will not be downed. The difficulty is especially great whenever a definitely unpleasant move, such as a wage reduction or the temporary adoption of part-time work, is necessary. The trouble lies largely in the fact that it is a decision handed down from above, with only the employer's word as proof that the

action is really unavoidable. With no chance to learn the facts in the case, the workers naturally have hazy notions of business conditions, and are apt to be unduly optimistic in judging the firm's ability to pay wages. It is here that employee representation may render a genuine service to the employer, and probably to the employee as well. If the former will permit the books to be opened, and a full and frank discussion of the situation to take place, the employee representatives may be able to convince the workers that the wage decrease must be accepted, and thus avoid the hard feeling and material loss that inevitably accompany a strike. It is probable that the shop committee is sometimes utilized in this way when conditions do not warrant its use. Says one critic: "Uppermost in the minds of these employers seems to be the belief that the company union is an excellent medium through which to transmit decisions to the workers and thus bend them painlessly to the will of the management. Those who claim that company unions usher in a New Day of fraternalism and 'cooperation' should not lose sight of these fundamentals."[5] The danger of abuse is ever-present, and must be recognized. However, we are not now concerned primarily with whether employee representation is used legitimately. We are inquiring into the objectives of employers in introducing shop committees into their plants; and one of these is to provide a means of putting managerial wishes into practice with a minimum of friction and hard feeling.

The Desire to Combat Trade Unionism

Another reason for installing shop committees is the desire to combat trade unionism. The American Federation of Labor has come to regard employee representation as definitely anti-union in purpose, though at the outset labor leaders seemed to look upon the movement with

[5] Dunn, p. 23.

mild approval. We shall later examine in detail the trade union attitude toward employee representation. The managerial attitude toward trade unionism ranges from expressed approval to open hostility; but it is safe to say that the American employer, in the main, regards the union as a good deal of a nuisance and something to be avoided whenever possible. Employee representation has appealed to some as a means by which trade unionism might be headed off, or its growth be checked.

Dean Miller, after a careful investigation of employers' objectives in establishing employee representation, concluded that "the majority of non-union council plans have been organized either to undermine existing unions, or to avoid what has been regarded as the otherwise inevitable coming of collective bargaining with unions. This statement does not deny the existence of other important purposes."[6] Dr. Leiserson, W. Jett Lauck, Ordway Tead, and other students of labor relations have stated in public print or speech that many employers, in adopting shop committee schemes, are hoping to avoid dealing with the unions.[7] This aim is most easily realized in shops which heretofore have had nothing in the way of a workers' organization. The problem here is not how to oust trade unionism, but how to forestall its coming; and employee representation has enabled the employer to offset the appeal of labor unionism by offering a substitute. Like most substitutes, the shop committee professes to be "just as good" as the original; and yet its scope and powers are sometimes so limited as to permit the employer to control conditions in the shop almost as completely as in the past. Trade unionists have referred to plans of this type, and established for this purpose, as a delusion and a snare. Samuel Gompers held that setting up works councils in non-union shops would delay the organization of the workers into unions that

[6] Miller, p. 162.

[7] The same, p. 160.

had genuine bargaining power, and that consequently the shop committee movement must be opposed.

A Check to the Growth of Unions

Brought into industries where there are some union workers, but not enough to enforce collective bargaining, employee representation may be used to check the further growth of trade unionism. It is always difficult to maintain a union unless it is producing results—that is, representing the workers in their business relations with the management, and securing favorable terms of employment. It becomes a desperate undertaking when the union is confronted by a rival organization, the shop committee, which wins, promptly and easily—through managerial cooperation—concessions for which the union workers, in their impotence, have been striving for years. It is then that union allegiance is likely to weaken, the union worker to wonder why he should continue to pay dues, and union membership, perhaps, to dwindle away. Or, if the effects upon the union are not so dire as we have supposed, certainly the chances are that gains in union strength will have been effectively arrested by the coming of employee representation.

Possibility of Destroying Existing Unions

But the worst possible offense—the unforgivable sin, from the point of view of unionism—is for employee representation to supplant trade unions in shops in which, in the past, they have been strong enough to secure a respectful hearing. And non-union works councils have been used to accomplish this end. Sometimes they have been introduced into plants in which the trade unions have gained steadily in strength and won half-hearted recognition, but have not as yet developed sufficient self-confidence to challenge the invading shop committee. The employer explains that employee representation is not to

affect in the slightest the position of the trade union, and yet almost inevitably, as we have seen in the preceding paragraph, it does exert a weakening influence, and may result in the passing of the trade union. Trade unionists cite cases of fairly well established unions that have been quietly dispatched in this fashion.

Another method of procedure, which has proved quite effective, is to offer employee representation to employees in union shops after they have been worsted in a strike. Beaten and discouraged, and in the power of an employer who will have nothing further to do with unions, the workers in some shops have accepted employee representation on the theory that anything is better than nothing. Others, again, have indignantly refused the substitute, and have set about reorganizing the union and building up once more an organization capable of bargaining with the employer on a basis of equality.

The Attitude of Employers' Associations

Not only have employers as individuals sought to combat trade unionism through the use of employee representation, but associations of employers, too, have been singing the praises of non-union shop committees, and urging their adoption. Much has been made of the need for local organizations, composed of those in sympathy with the management and eager for the success of the business.

Another argument advanced in favor of the shop committee is that it is particularly well equipped to handle the local problems that are of almost daily occurrence. But the strongest talking point, no doubt, is the statement that the spirit of conflict inherent in trade unionism is replaced in employee representation by a spirit of cooperation. Trade unionism has almost always been on the defensive; it has been obliged to adopt mili-

tant tactics, and hence to some extent it has been destructive. The offenses of which it is accused include attempts at monopoly control of the labor supply, restriction of output, opposition to scientific methods, and the waging of strikes. These and other transgressions against economic law with which trade unionism is charged, are listed in the printed matter which has been scattered broadcast in the open shop campaigns. Here, also, may be found figures that are calculated to show that union methods bring losses not only upon the employer and the public, but upon the misguided workers themselves. The Chamber of Commerce of the United States, the National Metal Trades Association, and other employers' associations that have done so much to promote the open shop movement, are at the same time favorable to the establishment of shop committees; and this, again, is an indication that employee representation is considered a useful instrument with which to checkmate orthodox trade unionism.

Fair-Mindedness of Many Employers

But the use of employee representation for anti-union purposes need not blind us to the fact that the motives of employers in instituting shop committees are often entirely legitimate. No one who knows the facts will be likely to accuse such men as Edward Filene and Henry Dennison of trying to hoodwink their employees by giving them a stone under the pretense that it is bread. These and other employers have given sufficient proof of being genuinely interested in the welfare of their workers, and earnestly in search of the road to industrial democracy. Indeed, it is scarcely fair to brand as illegitimate the anti-union use of employee representation, so long as it does not claim to be anything more than that. But it is a different matter when an employer professes friendship for unions and belief in collective bargaining,

and yet installs a shop committee in the hope of heading off or supplanting a type of unionism that is strong enough to bargain on terms of equality. Then, indeed, the legitimacy of his tactics may be questioned.

In any case, the anti-union use of employee representation seems to most students of labor relations to be unfortunate, since it is likely to limit the good that this form of organization appears capable of doing. Professor Douglas sounded a warning note some years ago, when he wrote: "While the shop committee may replace many unions for a time, the union type of organization cannot permanently be displaced by such an incomplete structure, since the logic of the situation will ultimately lead the workers to organize in ever larger and more effective units. A greater danger than the temporary weakening of the workers' bargaining strength is the probability that, if the shop committee is used as a union substitute, the minds of the workers will become so inflamed that they will refuse to see its good points and will reject it utterly. In other words, if it becomes a question of shop committee or trade-unionism, it will be the shop committees and not unionism that ultimately will disappear. If the valuable possibilities of the shop committee are to be preserved, it must be clearly envisaged that it is to be a supplement to the unions and not a substitute for them."[8] Already a part of this prophecy has come to pass. The shop committee has been used as a union substitute, and as a consequence the trade unions will have none of it.

Inevitability of Workers' Organization of Some Form

There are employers who believe that employee representation will eventually bring about the total destruction of strict unionism, and who are longing for the day. Professor Douglas, it will be noted, thinks differently.

[8] *Journal of Political Economy,* February, 1921, p. 103.

Certainly, if employee representation is to eradicate completely an institution as firmly established and as well fortified as trade unionism, it has before it a long, hard struggle. And in this struggle it will have to fight not only the unionists themselves, but many thousands of union sympathizers who regard strong, industry-wide labor organizations as essential to fair and equitable dealings between employers and employees.

CHAPTER V

EMPLOYEE REPRESENTATION AT WORK

We shall now get down to cases, and describe the workings of several employee representation plans that have been in operation for some years. Luckily for our purposes, the material is right at hand, for disinterested studies of four prominent plans of representation have appeared in print, reciting in detail the work that has been undertaken through the agency of these shop committees, the manner in which it has been carried out, and the degree of success which has rewarded these attempts to give the workers a voice in determining the conditions under which they should work. Three of these studies were conducted under the auspices of the Russell Sage Foundation, with Ben M. Selekman as chief investgator, and the fourth is the work of Professor Herbert Feis, of the University of Cincinnati. The Russell Sage studies have to do with the famous "Rockefeller Plan" of the Colorado Fuel and Iron Company, and with the "Partnership Plan" of the Dutchess Bleachery, which has also been the subject of a great deal of discussion. Two volumes describe the operations of the Rockefeller plan, one dealing with its use in the coal mines of the Colorado Fuel and Iron Company and the other with its application to the steel workers of that concern. The study of Professor Feis tells of experiences with employee representation in the Procter and Gamble Company, of Cincinnati. The thoroughness with which these studies have been conducted and the absence of bias on the part of the investigators render them of the utmost importance to

all who are interested in employee representation in the concrete. The accounts here given are concise summaries of the published volumes, to which the student of labor relations may be referred for greater detail.[1]

The "Rockefeller Plan" in Coal Mines

The "Industrial Representation Plan" of the Colorado Fuel and Iron Company was one of the first instances of employee representation in this country to receive wide publicity. Following the long and disastrous Colorado coal strike of 1913 and 1914, this plan was introduced, in 1915, into the twenty coal mines of this company, in the hope (as John D. Rockefeller, Jr. said) of providing "a permanent condition of peace." Certainly the need for industrial peace in the Colorado coal field could not be questioned. The strike, which ended in December, 1914, was an attempt of the United Mine Workers of America to secure certain demands, relating to wages, hours, enforcement of mining and labor laws and, more particularly, recognition of the union. The unionists were insistent upon the establishment of a closed union shop, with a written trade agreement specifying the terms of employment and providing for the adjustment of grievances. These demands were refused by the Colorado Fuel and Iron Company and other operators; and there ensued a struggle which, for bitterness and violence, has few equals in the annals of industrial warfare. One tragic incident in this memorable strike was the "Ludlow massacre"—the smothering of eleven children and two women during a battle in the tent colony in which the strikers and their families were living, after being put out of their homes in the mining camps.

[1] Ben M. Selekman and Mary Van Kleeck, *Employes' Representation in Coal Mines;* Ben M. Selekman, *Employes' Representation in Steel Works;* Ben M. Selekman, *Sharing Management with the Workers.* New York: Russell Sage Foundation, 1924. Herbert Feis, *Labor Relations.* New York: Adelphi Company, 1928.

Mr. Rockefeller, in instituting his "industrial constitution" (frequently referred to as the "Rockefeller Plan"), believed that the closer contacts resulting from representation would lead to the establishment of mutual confidence and trust, and to the acceptance, on the part of the workers, of the premise that they and the employers were partners.[2]

A Sketch of the Plan

Employee representation was offered to the miners in October, 1915, and 84 per cent. of the 2,846 workers who voted on the question favored the adoption of the plan. The total number of miners in the employ of the company is about 5,000. The twenty separate mines have been organized into five districts. Every mine, regardless of size, is entitled to two representatives, and the larger mines have more, on the basis of one representative for every 150 workers. The representatives act on behalf of their constituents, and are the means of communication between the employees and the company. District meetings of employee representatives in each of the five districts are held three times a year, and at these meetings are discussed any matters which the employees wish to have considered between their representatives and the management representatives—for these are joint meetings. There is also an annual meeting, at which employee representatives from all branches of the business meet with an equal number of company officials. In each of the five districts are four joint committees which deal with (1) safety and accidents; (2) sanitation, health, and housing; (3) recreation and education; and (4) industrial cooperation and conciliation. The president of the company is the administrator of the representation plan.

Acting as his agent is the "president's industrial rep-

[2] John D. Rockefeller, Jr., *The Personal Relation in Industry*, p. 77. New York: Boni and Liveright, 1923.

resentative," who visits each mine about once in three months, confers with the representatives of the miners and the company superintendent, and investigates and sometimes settles grievances. The procedure followed in the case of grievances is for the employee first to make complaint, personally or through his representative, to the mine foreman or superintendent. If not satisfied with the outcome, he may appeal to the president's industrial representative. If the grievance is a serious one, and cannot be settled satisfactorily by the president's representative, it may be taken up successively with the division superintendent, assistant general manager, general manager, and even with the president of the company.

"A fundamental feature of the plan," Mr. Rockefeller says, is "the right of ultimate appeal to the president of the company concerning any conditions." If the worker is not satisfied with the decision of the president, he may place his complaint before the Joint Committee on Industrial Cooperation and Conciliation, and a majority vote by this committee settles the matter. Should the committee fail to render a majority verdict, there is provision for arbitration by a board chosen by the representatives of management and workers, and the decision of this arbitration board is final and binding. Representatives who feel that they have been discriminated against because of activities on behalf of the workers, have the same opportunity for redress as that just described. The right to hire and discharge is reserved by the company, though the fairness of a discharge is subject to review. The company guarantees, moreover, that there shall be no discrimination against any employee because of membership or non-membership in a union or other organization. This means that the company is operating an open shop, in which both union and non-union men may be employed.

Sanitation, Health and Housing

For about fifty years, welfare work has been carried on among the miners of the Colorado Fuel and Iron Company. For a long time, this "sociological work" was due largely to the personal efforts of Dr. R. W. Corwin, whose term of service with the company dates back to 1881. With the introduction of the employee representation plan in 1915, the company made it a definite part of its policy to authorize expenditures which would add to the comfort of those living in the camps. The results have, on the whole, been excellent. Visitors to the camps comment upon the neat, comfortable appearance of the dwellings, which are four- or five-room cottages, built sometimes of frame but more often of concrete, each well fenced and with lawn in front and garden at the rear. Community buildings for the use of the miners and their families are the Young Men's Christian Association, or miners' club, and the schoolhouse, both constructed usually of gray concrete. The miners' bath-house is an essential part of the camp equipment; and the presence of a band-stand and outdoor swimming pool is an indication that there is time for recreation in these Colorado mining centers.

The Joint Committee on Sanitation, Health and Housing has supervision over all matters relating to housing, health and sanitation in both private homes and public buildings, the care of the streets, planting of trees, disposal of garbage, and so on. This committee acts in an advisory capacity to the superintendent of housing, a company official. It has no executive functions, and no power of decision. It is the medium through which complaints or suggestions may be communicated to the proper executive, but its chief activity seems to have been to accompany the superintendent of housing when he comes to the committee's district on his quarterly tour of inspection. This committee has supervision, also, over

the health and medical service in the camps. The employees, through their representatives on this joint committee, have a part in the selection and dismissal of camp physicians. Every miner is charged a medical fee of $1.50 a month, which entitles him to hospital care in the $400,000 hospital maintained by the company at Pueblo; and also covers medical and surgical services for himself and family in the camps. The medical work of the company seems to have won very general approval, though there have been strenuous objections to the physical examination required of all applicants for jobs, on the ground that this examination might be used to deny employment to men who are known to be active trade unionists. However, there appears to be no concrete proof that this suspicion is well founded.

Recreation and Education

The Joint Committee on Recreation and Education is another which has to do with community life rather than with any activities in the mines. This committee, in each district, is composed of three officials and three representatives of the employees. Three or four times a year, the committee inspects all of the camps in the district, inquiring into the condition of the schools, classes for adults, and provision for lectures and entertainment.

Most of the educational and recreational work centers in the public school, and with the cooperation of the local school board considerable advance has been made. There have been improvements in the school buildings and their furnishings, and in playground equipment; junior high schools have been established, and classes in manual training and domestic science have been started. Some of the schools are conducted throughout the year; and during the summer session considerable attention is given to nature study, dances and games, swimming and fishing, hiking, and the planting and care of gardens.

Local units of the Boy Scouts and Camp Fire Girls have also been organized. Many of the miners are single men, with little or no interest in education; and of the married men with families there are Mexicans, Greeks, Bulgarians, Negroes, and others who do not enthuse over book-learning, even for their children. And yet, in a single winter, there have been as many as three hundred miners enrolled in vocational classes in ten or twelve camps, some of them preparing to take examinations which would entitle them to mine foremen's certificates. It may be said that the educational opportunities offered in the company-owned mining camps are far greater than those of the incorporated towns, in which some of the miners own homes, where the local school board carries on its work without financial assistance from the company.

Safety and Accidents

The work of the fourth district committee, the Joint Committee on Safety and Accidents, may be disposed of in a few words. This, again, is a committee whose chief duty seems to consist of making periodical tours of inspection. The members of the committee join the chief mine inspector in his examination of the mines in their district, three times every year. The policy adopted is to keep standards as high as possible, and to maintain better conditions than those demanded by state law. Recommendations for improvements are made at once to the superintendent in charge of the mine, and the committee is said to have been helpful in this connection. The safety work consists of looking carefully after the condition of the mines, and not in teaching the miners methods of accident prevention. A project to organize a "Safety Committee" at each mine has not been carried through, presumably from lack of interest, for it seems that the workers could have had this committee without difficulty, if they had simply kept the issue alive. Indeed, it has ap-

peared to Mr. Selekman, in his investigation of committee work, that the achievements that have taken place—and they have in some instances been noteworthy—have not resulted from the exercise of initiative on the part of the employee representatives but have been much more largely the work of company executives. Employee representation has brought the officials face to face with the workers in conference and committee meetings, and has made them conscious of the interests of the men. It has also enabled the employee representatives to know and respect the officials as they did not before they had opportunity to meet and confer with them. But the changes that have been made in working and living conditions appear to be due primarily to the intiative of the management.

Grievances and Complaints

The procedure for the settlement of grievances (which it will be recalled, was one of the primary purposes of the plan) has already been described, but in actual practice this method of procedure is not followed closely. Many of the differences which arise are not taken up with the mine foreman or superintendent at all, but are handled, from the first, by the president's industrial representative, or even by the Joint Committee on Industrial Cooperation and Conciliation, which originally was thought of as a court of appeal. About three-fourths of the questions to be settled relate to living and working conditions, wage adjustments, and employment problems such as discharge and reinstatement. The records show that 333 questions were raised and settled in 1922, by action of the local management, the president's representative, or the joint committee. The adjustments, however, have not been wholly satisfactory to the employees.

Some decisions rendered have persuaded the workers that the company officials will sustain a company exec-

utive, such as a superintendent, against a miner, and that consequently the plan does not protect the men adequately. There is evidence to show that the workers are not making use of the plan for the presentation of their grievances, since they have not confidence that the settlement will be made strictly on the merits of the controversy. Mr. Selekman found that in almost every camp the miners had grievances that went unreported. These complaints had to do usually with the lack of necessary supplies, and failure to get proper credit and pay for certain types of work done. In one district in which no grievances had been reported to the joint committee in four years, it was discovered that he workers felt that they were being treated badly, but considered it useless and dangerous to complain. The miners expressed a belief that their representatives were timid, that they lacked the training necessary for doing the job well, and that they had no power in their dealings with the representatives of the management. The workers do not go personally to the foremen and superintendents with their troubles, because they are fearful of being discharged or given undesirable working places. They do not report grievances to their representatives, since they place no reliance in the effectiveness of their representation.

Representatives do not take the initiative in discovering, investigating and presenting grievances, since they, too, are anxious not to incur the ill-will of the local officials. In some instances, a representative is willing to present a complaint brought to him by a worker, but will not see it through to the finish. "I have taken this up with the foreman several times, but he has done nothing about it. I don't want to go over his head," is a typical explanation of lack of action. Some of the representatives charge that the ineffectiveness of the plan in performing this conciliatory function, which is one of the chief objectives, is due to the foremen and superintendents "not living up to" the spirit or letter of its pro-

visions. Others, however, say that the workers are at fault; that they do not "work with" the plan, and will never be satisfied until they get a union contract.

Evidences of Dissatisfaction

This brings us to the fact, which is undeniable, that many of the miners are heartily in sympathy with the United Mine Workers of America, the union which remains unrecognized by the company, but to which nevertheless many of the workers belong. Though the union has not been able to force the adoption of collective bargaining in the mines of the Colorado Fuel and Iron Company, the employees of the company believe that the advantages which they enjoy under the Rockefeller Plan are largely, if not wholly, the outcome of the United Mine Workers' aggressiveness in waging the strike of 1913 and 1914; for it was this strike that attracted the attention of Mr. Rockefeller, and resulted in the introduction of the employee representation plan.

A special source of dissatisfaction, in connection with the refusal of the company to recognize the union, is the basis on which wages are determined. "We are at the mercy of our competitors," says a prominent official of the company. "If we try to sell higher than they, we would lose our customers, and if we tried to pay lower wages than they, we would lose our employees." Consequently, the company has followed the practice of paying its workers wages equal to those being paid by the operators in the Central Competitive Field.[3] Since these wage rates are the result of collective bargaining between the operators and the representatives of the United Mine Workers, the employees of the Colorado Fuel and Iron Company receive, without a struggle, the benefit of advances won by union miners elsewhere. This situation is resented keenly by men who want to have a part, at least,

[3] Comprising Illinois, Indiana, Ohio, and western Pennsylvania.

in fighting the battles which result in better terms of employment. The union is openly hostile to the employee representation plan, and has forbidden union members to have any part in its operation. The presence of union workers in these open shop mines raises the question of allegiance in time of stress, and the response of the workers to strike calls shows that they are favorable to the union and anxious to aid it in its attempts to enforce demands. In the strike of 1919, an average of 62 per cent. of the workers stayed away from the mines. This is an indication that the United Mine Workers' union has a good deal of influence with the employees of the company. Employee representation has not succeeded in preventing strikes, as is shown by the conflicts that took place in 1919, 1921, 1922, and, to come down to date, in 1927. It has provided better living conditions and better relationships between management and miners; but it has not won the complete confidence of the workers, and certainly has not as yet created a spirit of partnership.

The "Rockefeller Plan" in Steel Works

We turn now to the operation of employee representation among the steel workers of the Colorado Fuel and Iron Company. The company's steel plant, the Minnequa Steel Works, is located at Pueblo, Colorado, and employs in normal times about 6,500 men. The Industrial Representation Plan was offered to the steel workers shortly after its introduction into the coal mines of the company. The situation, however, was very different. Employee representation was suggested to the miners after the close of a long and bitter strike, and was expected to bring to the mines a permanent condition of peace; but conditions in the Minnequa Works were already peaceful, and had been so for many years. The steel workers had not attempted to secure collective bargaining, and they had not asked for a means of con-

ferring with the management in regard to terms of employment. Nevertheless, the president of the company proposed that employee representation be extended to include the steel works, since it had been "very effective in bringing about a clearer understanding of the relations between the company and its coal mine employees, and in showing the latter that the officers of the company regard the interests of itself and its employees as mutual." In a secret ballot taken on May 4, 1916, 72.9 per cent. of the 3,184 votes cast were in favor of the proposed plan and agreement. Accordingly, the plan went into effect on May 6, 1916.

Absence of Unionism in the Steel Industry

The manufacture of steel has developed into a large-scale business, entailing huge investments of capital, and is much more dependent upon machine processes than upon manual labor. It is restricted, therefore, to relatively few companies. The largest of these, the United States Steel Corporation, because of its dominating position in the field, has been able to fix wages, prices, and other important standards in the industry. Under the leadership of the late Judge Gary, the Steel Corporation has succeeded in combating all attempts to unionize the industry. The introduction of employee representation into the Minnequa Steel Works has not, then, in any sense been an attempt to supplant trade unionism, for the plant had nothing approaching effective unionization.

The Rockefeller Plan in the Minnequa Works is virtually the same as the plan in operation in the coal mines, which has already been described. There are, of course, slight differences in organization, necessitated by differences in the types of industry. The steel works is separated into eleven divisions, and each division, like each mine, is entitled to one representative for every 150 workers, with a minimum of two representatives, regard-

less of size. But in all important provisions defining the status, rights, and powers of the employees and their representatives, the two plans are alike. There are the four joint committees, entrusted with the same functions; there is the president's industrial representative; and the procedure for adjusting grievances is a duplicate of that obtaining in the coal mines. A similar provision, also, relates to wages and other conditions. The hours of labor are not to be at any time less favorable than those in like operations conducted by the company's competitors, and wages likewise are to be regulated so as to equal the wages paid by competing companies.

Reduction of Hours under the Plan

One of the outstanding achievements of employee representation in the Minnequa Works was a reduction in the working hours. In order to provide for the continuous operation of the steel mills, it has always been the custom to work the employees in two shifts of twelve hours each, keeping the plant going day and night. This practice has long been condemned by humanitarians, but, until recent years, without avail. In 1917, an employee representative of the Minnequa Works took occasion to address a joint conference on the desirability of an eight-hour working day, outlining the many advantages that would accrue to the employees and their families. The president of the company agreed heartily, but said that "the company could do nothing in the way of reducing its working hours at the plant until some similar action had been taken by the United States Steel Corporation."

In the summer of 1818, the Steel Corporation established the *basic* eight-hour day, which meant not that the employees would work but eight hours, but that they would continue to work twelve hours, being paid on the basis of an eight-hour day, with time-and-a-half for overtime. The net effect was that the workers received four-

teen hours' pay, at the basic rate, while working actually only twelve hours. This was, therefore, an increase of 16⅔ per cent. in wages, and not a reduction in actual working hours. In conformity with the agreement providing for hours not less favorable than those in competing plants, the officials offered the Minnequa workers the basic eight-hour day, as adopted in the East. One group of workers, the mechanics, countered with a proposal for an *actual*, and not a *basic* eight-hour day. Since the mechanics in the eastern steel works had been put on a straight eight-hour day, with a 10 per cent. wage increase, the Minnequa management agreed to a similar arrangement. There followed a general demand, from all divisions, for the actual eight-hour day, and the eight-hour shift became operative in November, 1918. This meant, in many cases, a much smaller wage than the workers had been receiving, but despite this fact the employees have been very enthusiastic about the shorter working day; and the company officials have also expressed themselves as satisfied. It is generally recognized that it was the machinery of the Industrial Representation Plan that made possible the long-desired reduction in working hours.

The Workers' Part in Wage-Fixing

In 1920, again, the employee representatives had a definite and important part to play, when they and representatives of the management visited steel plants in the East in order to ascertain whether the wage rates at the Minnequa Works were comparable to those being paid in competitive plants, as had been guaranteed by the agreement between the management and workers. Prior to this time, the miners had accepted without question the wages said by the company officials to equal those paid by their competitors for similar work. This joint committee was appointed at the suggestion of the president of the

company. Steel works in Illinois, Indiana, Ohio, and Pennsylvania were visited; and from information received from men in the plants and executives in the offices, it was learned that the Minnequa wages were in general similar to wages paid by competing companies.

This was the first attempt, but not the last, to revise wages through action of a joint committee. The procedure followed in the past had been to learn, through correspondence or investigation conducted by the management, of any wage changes that had taken place in competitive plants, and then to submit to the employee representatives a new schedule of wages, which in practice was ratified and made effective at once. In January, 1921, facing a critical business situation, the management, at a joint conference of officials and employee representatives, proposed a 20 per cent. wage cut, which would permit the company to lower selling prices and thus secure sufficient orders to keep the plant running. The representatives, after consulting with their constituents, agreed to a reduction of 15 per cent, and this modification was eventually accepted by the officials. Later in 1921, when another wage reduction was proposed, and again in 1923, when there was an increase in wages, joint committees were sent to the eastern plants to study the schedules in effect there, and to determine the rates that should be paid by the Colorado Fuel and Iron Company in order to maintain the similarity in wages guaranteed by the agreement.

But the employees' share in wage-fixing is, after all, very limited. The rates that shall be paid are determined by the United States Steel Corporation, without consultation with their employees, and the best that the Minnequa men can hope for is to fare as well as these eastern steel workers. It is correct to say, therefore, that the wages of steel workers, under the Rockefeller Plan, are not in any true sense of the term the result of negotiations between the officials and the employee representa-

tives. In contrast are the wages of the miners in the company's employ, which are made to equal the rates paid to workers in the union-operated mines, where genuine collective bargaining takes place.

The Settlement of Grievances

The grievances brought to the attention of the Joint Committee on Cooperation and Conciliation have been many and varied in their nature. In the early days of the plan, there were many appeals for review of suspensions and discharges made by foremen and other executives. The management refused, for several years, to consider appeals of this kind, on the ground that the plan provided that the right to hire and discharge should be vested wholly in the company. By 1919, however, the management not only granted the privilege of appeal on questions of suspension and discharge, but agreed that an employee should have pay for the time thus lost if the committee decided that he was entitled to reinstatement.

There have been frequent complaints that the rule of seniority has not been observed; that promotions have been made with more regard for personal feeling than for ability or seniority; and that employees old in the service have been laid off while others of less experience have been retained. There have been disputes, also, about pay for overtime, the workers contending that any time worked outside an employee's regular shift should be considered overtime, and the management ruling that overtime began only after a man had worked eight continuous hours in a twenty-four hour period. A great deal of objection has been raised to the required physical examination, and in particular to the forty-five-year age limit, which, in 1917, was adopted by the company and applied to both steel works and coal mines. This age limit (later raised from forty-five to fifty years) was introduced in connection with a pension system which be-

came effective at the age of sixty-five years, for all employees who had had twenty years of service with the company. The workers have been almost unanimous in regarding as unjust the practice of refusing to employ a man because he has reached the age of forty-five or fifty. All in all, the decisions rendered in the grievances that have come before the committee have led employees to believe that, while the Industrial Representation Plan has brought benefits in the way of welfare work and safety work, it does not give the employee representatives any appreciable authority in deciding wages, overtime, and other vital matters.

Gains Made by Workers under the Plan

In the year 1922, 326 questions were brought up for settlement by the employees of the steel mills, lime quarries, and iron mines of the Colorado Fuel and Iron Company, all of which are united under the representation plan of the Minnequa Works. Two-thirds of the problems raised had to do with working and living conditions. More than one-half of the questions were decided by the joint committee, approximately one-fourth by the local management, and the remainder by the president's industrial representative. The records show that the representatives of the steel workers have displayed considerable initiative in prosecuting their work. Of several instances which illustrate the point, one is the part of the representatives in securing the eight-hour day. Another is the protest made against a managerial change in the hour of beginning work, which meant inconvenience to some of the employees. Going over the heads of the plant superintendents, the representatives presented their demand for restoration of the old schedule to both the manager of the works and the president of the company, and won their point. In the matter of medical service, through their own initiative they succeeded in securing

a new ambulance, in getting the services of a physician in the dispensary at night, and in having negligent hospital attendants reprimanded.

The steel workers have not at any time been satisfied with the Industrial Representation Plan. From the outset, they have felt the antagonism of the foremen, who have resented the introduction of the plan as limiting their power. Some of the superintendents, also, have opposed the plan. Mr. Selekman relates that within three years after the establishment of the plan the workers joined the trade unions in large numbers and when a nation-wide steel strike was called on September 22, 1919, the employees of the Minnequa Works walked out almost in a body. Their explanation of a desire for union membership was that their representatives, under the Rockefeller Plan, were without real power; that, so long as the workers were unorganized, the representatives could not use threats to force through their demands; and that, under existing conditions, they simply had to take what the management felt like giving them. The strike was unsuccessful, and ended on January 5, 1920. All was not lost, however, for the workers reported that the attitude of the management in settling grievances was much more cooperative after the strike than it had been before.

Shortcomings Noted by the Investigator

Mr. Selekman's investigation led him to the conclusion that the scope of the Industrial Representation Plan is seriously limited. The final paragraph of his report says: "It is true that in an industry so devoid of any tradition concerning representation of the workers as the steel industry is, the Industrial Representation Plan marks a distinct step in advance toward recognizing the workers' aspirations; for under the plan the men of the Minnequa Steel Works secured such important gains as

the actual eight-hour day, an opportunity to participate in revising wage scales, a method of presenting and discussing grievances, and a greater degree of security in their jobs through enjoying the right to appeal to higher officials against the decisions of foremen and superintendents. When one looks at these accomplishments and then considers the methods of the United States Steel Corporation, one must conclude that at least in one small segment of the industry the wage-earners have been afforded an opportunity to have a voice in determining conditions under which they must work. Nevertheless, until the men throughout the industry as a whole secure adequate and effective representation in determining wage standards, those employed in any one plant, such as the Minnequa Steel Works, are bound to be dissatisfied. Every week the Minnequa workers are reminded by their pay envelopes that the scope of their representation does not give them an effective share in determining their own earnings and none whatever in determining those of their fellow-workers in the steel industry at large."

"Partnership Plan" of the Dutchess Bleachery

The subject of Mr. Selekman's third investigation was the Partnership Plan of the Dutchess Bleachery, of Wappingers Falls, New York. This is one of the largest mills of its kind in the country, and employs about six hundred workers, one hundred and fifty of whom are women. The business is more than a century old, having been started in 1825; and up to twenty years ago, when there was a change in ownership and management, it followed the labor policy of the old school, in which the executives were all-powerful and the workers wholly without rights. Hours were long, wages low, and discipline was administered with an iron hand. Under the new regime, the relationship between foremen and workers improved greatly, but there was at first no attempt

to develop a definite labor policy for the mill. In 1918, however, the treasurer of the company, in analyzing the situation, decided that certain readjustments were necessary, in order (1) to give the management closer contact with the employees, and an understanding of the workers' point of view; (2) to relieve the monotony of the high degree of specialization that existed in the plant, and (3) to give the workers greater security in their jobs and more adequate compensation.

The company undertook to correct the situation through the adoption of the Partnership Plan. In outlining to the employees the purposes of this plan, the treasurer explained that there were three groups essential to the operation of the plant. They consisted, he said, of the employees, or manufacturing group; the management, or selling and administrative group; and the stockholders. He suggested that these three groups should be regarded as partners, and that partnership means sharing the responsibility of management by each person taking charge of that part of the business which he is best able to handle. Partners, it was explained, are entitled to know fully the results of the year's business, and to share in the net earnings after all necessary expenses have been met. The Partnership Plan was the result of a conviction that the old system of paying the market price for labor and making as large profits as possible had been "weighed in the scales of human experience and found wanting. It tends to treat the employee as a means to an end, the end being the enrichment of the employer, whereas every man, every woman and every child is an end in himself or herself, the most valuable creations in the universe."

Representation through Three Boards

The Partnership Plan gives the workers a share in the management of the plant through membership on three boards.

The Board of Operatives is the first of these, consisting wholly of representatives of the workers, one representative being elected from each of the nine major departments of the bleachery. Foremen and other executives are regarded as employees, and may vote for or act as representatives. The board has a full-time, salaried officer, known as the Executive Secretary, who is elected by the board on nomination by the Board of Management. The salary of the Executive Secretary, and other expenses of the Board of Operatives, are paid from a fund appropriated annually by the Board of Directors. The Board of Operatives meets monthly, in the evening, and each representative receives a fee of one dollar for attendance at each meeting. All employees of the mill are entitled to be present at these meetings. The chief functions of this board are to settle with the local management any grievances that the employees may have, to look after the housing accommodations owned by the company, and to promote educational and recreational work in both plant and community. The Board of Operatives elects six of its own members to serve, together with six representatives of the stockholders and management, on the Board of Management.

The Board of Management ordinarily meets once a month, and its twelve members are empowered "to settle and adjust such matters of mill management as may arise." In the event of a deadlock in voting on an issue, the Board of Management appoints a thirteenth member, and a majority decision by this body of thirteen is final.

The Board of Directors consists of five members, naturally elected by the stockholders. Its membership includes the president of the company, the sales manager, the manager of the bleachery, a representative nominated by the Board of Operatives, and a representative of the town of Wappingers Falls, who is nominated by the chamber of commerce.

Details of the Plan

In addition to granting representation to the employees, the Partnership Plan provides for participation in the profits of the business, and for acquainting the employee-partners with the business affairs of the company. The profit-sharing plan specifies that from the gross receipts shall first be paid all necessary operating expenses, including wages at the market rate and interest to stockholders at six per cent.; and that the net profits remaining after these deductions have been made shall be divided equally between the stockholders and the bleachery employees. The share of the profits due each worker or executive is determined by his wage or salary. However, before the distribution takes place, 30 per cent. of the profits are set aside in two equal sinking funds, one to guarantee a minimum of six per cent. to the stockholders even in times of depression, and the other to provide unemployment, disability and life insurance for the employees. Several years after the introduction of the plan, it was decided, at a joint meeting of the three boards and leading stockholders, that only 50 per cent. of the net profits due stockholders and employees should be paid in cash, the remaining 50 per cent. being payable in the form of preferred stock. This provision was made to allow for development of the business.

The company's efforts to keep the employees informed of the condition of the business consist of making available to all operatives the audited monthly statements of the company, holding mass meetings at which the manager explains the progress being made by the business, and interchanging between the Boards of Operatives, Management, and Directors, the minutes of their meetings. These three fundamental elements of partnership—"a just and proportionate share in the profits, an appropriate share in the responsibility of management, and a knowledge of the year's results"—have been sup-

plemented in various ways. For example, all employees of one year's standing or more are granted a week's vacation with full pay; opportunities have been afforded for the purchase of company stock, and also for the purchase of houses owned by the company; a savings plan has been established; and prizes are offered for suggestions relating to improving machinery, eliminating waste, and so on.

The administration of the Partnership Plan is largely in the hands of the Executive Secretary, who, it will be recalled, is a full-time, salaried officer. He represents the Board of Operatives in the management of company houses and promotion of community recreation, and in its advisory relationship to the management of the bleachery. He and an editorial board have charge of the publication of the plant magazine, *Bleachery Life*. He administers sick benefits. And he is secretary to the Board of Management, and to the general safety committee, the latter being a group of foremen which meets monthly for the consideration of safety work and managerial problems.

Improvements in Living Conditions

The Board of Operatives has done a great deal in the way of promoting educational and recreational activities. Evening classes in domestic science, business subjects, civics, English, and public speaking were made available for the workers; and an athletic field, well-equipped playground, and village club house have also been provided. The most notable work of the Board of Operatives has been in connection with the management of the houses owned by the company and occupied by the employees. The housing situation was extremely bad when the Board of Operatives took charge. For ten years prior to the establishment of the Partnership Plan, the company houses had been neglected, and in many instances were

not fit for human occupancy. Those aids to civilized living which are usually termed "modern conveniences" simply did not exist. The water, which came from wells, was often unfit to drink, and had to be carried as far as four or five blocks at times. Sanitary conditions were very primitive, sewage was emptied into cesspools, and there was no provision for the disposal of garbage. The dwellings in most cases were in miserable condition, with leaking roofs and other defects that had resulted in rapid deterioration of the property. Faced with these discouraging conditions, the Board of Operatives got down to work.

The report of its accomplishments, as cited by Mr. Selekman, goes only up to 1922, but it shows remarkable gains in the three and one-half years that had elapsed since the board took charge. Of the 170 families living in company houses, the dwellings of 145 had inside water connections, with sinks, by 1922; the remainder were still dependent upon cisterns, wells, and rainbarrels. There had also been great advances in the matter of sanitation. Of 170 families, 134 had inside toilets, and 27 of these had baths as well. Work on the houses themselves had proceeded apace. The necessary repairs had been made, and in most cases the houses had been painted white. In view of the progress that has been described thus briefly, it is not strange that Mr. Selekman commends heartily "the good business judgment, industry, and social sense which have enabled members of the Board of Operatives to convert the neglected houses of the village into livable and even attractive homes within the comparatively short period of three years."

The Workers as Managers

The workers have displayed energy and ability, also, in taking part in the management of the plant. The Board of Operatives was asked by the Board of Direc-

tors in May, 1919, to make recommendations relative to working hours and wages in the bleachery. They responded by asking that the 54-hour week be reduced to 48 hours, that there be a 15 per cent. increase in wages throughout the plant, and that overtime be paid for at the rate of time and one-half. They urged, further, that the low wage rates prevailing in the industry rendered it imperative that additional increases be made as soon as business conditions warranted further advances. In recommending the 48-hour working week, the board expressed a belief that the shorter hours would not result in lessened production, and suggested that, in the endeavor to secure the greatest possible output, time-clocks should be installed, conferences should be held regularly between the manager of the plant and the foremen for the discussion of ways and means for increasing efficiency, and mass meetings of all employees should be held for the purpose of emphasizing the need of cooperation throughout the plant. The 48-hour week and 15 per cent. wage increase were made effective within a month.

Just before this action took place, the Board of Operatives had reported to the Board of Directors that the employees seemed to regard the Board of Operatives with apathy and lack of interest, owing to the fact, it was said, that the board had no part in affecting wages, hours, and other conditions of employment that were of the utmost importance to the workers. The Board of Operatives asked, therefore, that it be granted more power than it had had in the past. The directors replied by authorizing the organization of a Board of Management, which came into being in July, 1919.

Board of Management—"The Real Governing Body"

The Board of Management, as we have already noted, is in effect a joint shop committee with twelve members, six of whom are employee representatives and six the

representatives of stockholders and management. Mr. Selekman states that it is "fast becoming the real governing body of the Dutchess Bleachery." Since its creation, the approval of the Board of Management has been required for the execution of many projects which are initiated by the Board of Operatives. Since six of the nine members of the Board of Operatives constitute the employee representation of the Board of Management, there is, as might be expected, a high degree of cooperation between these two bodies. The Board of Management is the court of appeal in any disputes which may arise between the Board of Operatives and the manager of the bleachery. Of course, final authority in all matters is vested in the Board of Directors, but in actual practice the chief function of the directors has been to approve the recommendations made by the Board of Management.

At the monthly meeting of this board, the sales manager from New York describes market conditions in the industry, the plant manager reports on production in the past and the prospects for greater output, and the treasurer outlines the financial problems of the company and submits a report on the financial status of the bleachery. In this way, the board is kept informed on matters with which it must be conversant in order to deal intelligently with the many important questions that arise. On several occasions, for example, it has had to pass on wage reductions and increases, and in reaching decisions a knowledge of production, sales conditions, and financial status was absolutely necessary. On the basis of such information, the board granted a wage increase of 12½ per cent. in December, 1919, and another of 15 per cent. in May, 1920, when similar increases were being made in competing plants. In January, 1921, on the other hand, when wages throughout the industry had been cut 22 per cent, the board recommended and secured an immediate reduction of but 12 per cent, since, as the representatives were

able to demonstrate, the cost of living had fallen only to that extent; and at the same time it ordered a reduction of 12 per cent. in the rents being charged for the company houses. The board has secured wage increase for foremen and other salaried employees. It has, moreover, played an important part in the nomination and election of a manager and a superintendent of the bleachery.

Successful Operation of the Plan

As is so often the case with employee representation, the workers in the Dutchess Bleachery at first regarded the Partnership Plan with suspicion, feeling that it was a device that had been installed with the idea of averting labor troubles during the war, and thus securing the greatest possible production to meet the unusual demand.

With the continuance of the plan, and the increase in power granted to the workers' representatives, this attitude of distrust has almost wholly disappeared, and the operatives speak of the plan with enthusiasm. The feature most highly prized is the provision for profit-sharing; and this is to be expected in view of the fact that the industry is one in which wages are notoriously low. The sinking fund, which is maintained from profits, and from which are paid unemployment, sickness, and death benefits, comes in for high praise, also. The assurance of half-pay in times of lay-off or illness, and of full pay for a year to the widow of a workman who dies in the service of the company, affords a sense of security which had been wholly unknown to the employees prior to the coming of the Partnership Plan. Another benefit that is greatly appreciated is the week's vacation with full pay, to which the workers look forward for months with the keenest sort of anticipation. We have already mentioned the vast improvements that have taken place in housing conditions, and the activities of the employee representatives in determining hours of labor, wages, and other

vital matters. Despite the limitations of the plan, which are due in large part to the necessity of meeting the competition of other concerns in a distinctly unstable industry, the gains at Wappingers Falls have been remarkable. A continuous investigation of several weeks, spent in interviewing officials and wage-earners and examining both physical conditions and written records, convinced Mr. Selekman that the Partnership Plan is "one of the most advanced, most sincere, and most comprehensive schemes of industrial relations introduced into industry at the initiative of the employers."[4]

Procter and Gamble "Committee Conference Plan"

The study by Professor Feis, of labor relations in the well-known firm of Procter and Gamble, is the most recent contribution to the literature of employee representation. This company owns and operates a half-dozen plants in as many parts of the country, in which are manufactured Ivory soap, Chipso soap flakes, Crisco, and several other articles that are in common use in millions of American homes. For fifteen years, at least, the Procter and Gamble Company has enjoyed great prosperity, as is indicated by a financial table that Professor Feis has included in his book. From this table, we learn that the volume of business done by the concern in 1926 amounted to $189,314,000, with net earnings of over twelve millions. The corporate surplus has been built up from eight million dollars in 1910 to more than thirty-five millions in 1926. Dividends paid on common stock have not been smaller than 12 per cent. in fifteen years, and every year since 1916 they have been 20 per cent., plus

[4] Since the publication of this report by the Russell Sage Foundation, James Myers, who for some years was Executive Secretary under the provisions of this Partnership Plan and gave his full time to its administration, has withdrawn from the employ of the Dutchess Bleachery. The activities described above are those which took place under Mr. Myers's supervision.

(with the exceptions of 1920 and 1926) a stock dividend of 4 per cent. Though the stock dividend was omitted in 1926, the cash dividend for that year was raised to 24 per cent. These are financial facts which should be borne in mind in reviewing the company's labor policies. The Procter and Gamble Company employs more than 5,000 workers, 10 or 12 per cent. of whom are women. The largest of the several plants is at Ivorydale, on the outskirts of Cincinnati, and certain of the observations made by Professor Feis were limited to the Ivorydale plant, owing to the absence of adequate records concerning the work in industrial relations in the other factories.

Outline of the Plan

The employees of the Procter and Gamble Company have representation through the Employees' Conference Plan. This plan was adopted in 1918, for the purpose of bringing to the attention of the management matters which the employees might feel needed correction, and suggestions for the betterment of plant conditions or labor relations. It was hoped that the opportunity to confer with the management would give to the workers a sense of being a vital part of the business, and to the management a better understanding of the employee point of view and a chance to make known to the workers the plans of the company and the reasons for putting them into effect.

The system of representation provides for two main committees, one the Employees' Conference Committee made up exclusively of workers, and the other a Joint Conference Committee composed of members of the Employees' Conference Committee and representatives appointed by the management. These two committees are roughly comparable to the Board of Operatives and Board of Management of the Dutchess Bleachery. The employees elect their representatives by departments,

with one representative for every fifty workers; the management appoints its representatives, who in no case may exceed one-half of the number of employee representatives. The Employees' Conference Committee elects a chairman and vice-chairman, and these two, together with five other employee representatives appointed by the chairman and ratified by three-fourths of the committee, constitute the Executive Council. The Service Supervisor, who is director of the personnel department, represents the management in meetings of the Employees' Committee, but has no vote. This committee meets monthly, and the Executive Council meets at the call of the chairman. The Joint Conference Committee, made up of the members of the Employees' Committee and the representatives of the management, also holds monthly meetings. Special committees are appointed by the chairman to investigate and report on specific subjects, as the need arises; such committees consist of four employee representatives and one representative of the management. Since March 1, 1919, the workers have been permitted to elect three of their number to membership on the Board of Directors of the company.

There are no restrictions on the subjects that may be discussed in conference or brought to the attention of the management. The procedure prescribed is for the employee to bring the matter first to the attention of his foreman, for consideration and adjustment. If not settled satisfactorily, it may be taken up, through the employee's representative, either with the Employees' Conference Committee or the Joint Conference Committee, as the worker may prefer. Failing satisfactory adjustment there, the matter goes to a special committee, appointed by the chairman, which has no power of decision but makes recommendations to the Joint Conference Committee. The printed plan is somewhat hazy on the matter of voting in the Joint Committee, but apparently the vote is on the unit basis, with one vote for the em-

ployee representatives, determined by the individual votes of three-fourths of their number present, and one vote for the management representatives on a similar basis. Decisions of the Joint Conference Committee are binding on all parties concerned. If a decision cannot be reached by this committee, the question is referred to the Committee on Appeals, composed of the plant superintendent, the general superintendent, and the president of the company. The ruling of this committee is final and binding.[5]

The Plan in Operation

This is the plan of representation as it appears on paper, but in actual practice it has been modified considerably. It was originally intended that employee representatives should meet separately and also in joint sessions with the representatives of the management; but the management had so little to communicate to the employees that the monthly meetings of the Joint Conference Committee were held less often than once a month, and were finally dropped altogether. The Executive Council, whose duty it is to report on important issues, has not been called into action in the past three years. Communication between management and workers takes place solely through the Service Supervisor, who attends all meetings of the Employees' Conference Committee.

Professor Feis describes a typical meeting of this committee: "The men come into the room singly and sit quietly. Their united presence brings no stir of common plan or purpose. It is rare that a proposal made indicates previous conference of the representatives outside the conference room, and rarer still that a proposal evokes a vigorous exchange of views. The matters

[5] The organization and procedure outlined in this paragraph are taken from a pamphlet entitled *Revised Plan of the Employees' Conference Committee.* Cincinnati: The Procter and Gamble Company, 1919.

brought before the conference are usually of small dimensions, and are addressed to the management, not to the body of the conference. The calendar of business is read. It consists mainly of a report of management decisions on proposals brought forward at previous meetings. A few representatives rise in response to the query for new business, and bring forward for attention some suggestion for improving the plant's operations, some small need of men in their departments, criticism of some condition in the plant—a discomfort or hazard, for example. Each bit of business elicits a few scattering remarks. The management representative takes due note, and the meeting is hurried to its end."

Types of Questions Discussed

Most of the committee's time is spent in the discussion of questions relating to working conditions, and the possibility of improving them. Professor Feis lists the following as being indicative of their variety: Provision of proper dressing rooms, improvement of street-car service, roofing over exposed work, changing of lighting facilities, furnishing of rubber boots or acid-proof clothing, purification of drinking water, repair of dangerous floors, stairways and pipes, reduction of dust and dirt, and provision of a visiting nurse. It is the custom of the management to investigate the proposals, and to report its decisions as promptly as possible. Unless the desired change is considered impracticable or too costly, the request is usually granted. The employees also make some suggestions for increasing efficiency and preventing waste, though the introduction of a suggestion system with financial rewards has reduced the number of proposals of this kind that reach the committee. A third group of questions to receive consideration includes matters connected with profit-sharing, pensions, the employment guaranty plan, and other similar measures through

which the employees benefit. For several years, the Service Supervisor has been trying to stimulate the representatives to action, explaining that the committee is not merely a complaint board, but a body authorized to discuss any subject affecting the welfare of the plant. The reply of the representatives was that the employees were not interested in the plan and did not come to the representatives with suggestions, "that everyone in the plant was comparatively satisfied, that the habit of waiting for management initiative had formed, that the presence of the higher executives made the representatives timid and awkward, but their absence lessened the importance of the meetings, that most of the workers were too indifferent, inert, or otherwise occupied to offer anything valuable in the way of cooperation."

Workers' Lack of Interest in the Plan

It cannot be said, then, that employee representation is playing a vital part in solving problems of labor relations in the Procter and Gamble Company. It is true that production has been good and is improving, profits have increased, and turnover has been lessened. The workers share in the profits, are guaranteed 48 weeks of pay every year, and enjoy the protection of retirement pensions and disability and life insurance. There is not, however, any necessary relationship between these very desirable conditions and the existence of the Employees' Conference Committee. The committee has assisted in improving working conditions, and has been the means, at times, of correcting injustices, but the benefits of employee representation in this concern are largely intangible, as Professor Feis points out. "The conference hardly figures in the conscious conception of the ordinary worker of his position in Procter and Gamble." It has not educated the representatives in economic matters, as some plans of representation have done. It has not developed

the initiative or resourcefulness of the representatives or the rank and file; nor has it induced them to give their views frankly and freely when their opinions have been sought by the management. "The conversations after the meetings showed that there was much more in the workers' minds than had been brought before the meeting."

The trouble seems to be that the committee members do not know exactly what the management expects of them as employee representatives; that they have been more concerned with conforming to managerial will than with presenting the views of their constituents; that they have been fearful of antagonizing foremen and other executives if they express themselves freely; and that the absence of power to make provisional or final decisions makes it seem that they have nothing even remotely suggestive of joint responsibility in determining terms of employment and other important matters. So long as the employees do not have an effective share in the control of the conditions under which they work, there seems to be small chance of securing their enthusiastic interest and cooperation.

The Employees' Service Department

Reference has been made to the personnel department of the Procter and Gamble Company, which is known as the Employees' Service Department. Under the direction of the Service Supervisor, it carries on the work ordinarily handled by a department of personnel, such as interviewing applicants for jobs and hiring workers, advising on questions of promotion, keeping records of labor turnover, and so on. The Employees' Service Department also has charge of administering pensions, the profit-sharing and employment guaranty plans, and sickness and death benefits. Though the power to suspend and discharge rests wholly with the management, foremen are not permitted to discharge men from the employ

of the firm, but only from their own departments, and an action of this kind must be accompanied by a written explanation. After looking into the case, the Employees' Service Department may either complete the discharge or send the man to work in some other part of the plant. Questions of discharge may also be discussed by the Employees' Conference Committee, but no such case has ever been brought before this body. A ready explanation is that there has been no need for the committee to deal with discharges—that action by the foremen, and review by the Employees' Service Department, have always resulted in justice being done—but it is also probable that fear of incurring the ill will of the foremen has been a deterrent. For some reason, certainly, the committee has shown no inclination to meddle in what might be termed managerial affairs. The Employees' Service Department, says Professor Feis, "must and does represent the management, not the men." He expresses a belief that the company would resist any attempt to introduce trade unionism into its plants; indeed, one of the reasons given for the development of labor relation methods in the Procter and Gamble Company is the wish to indicate that "trade union organization was not necessary to secure just treatment in the plant." It should be evident, then, that what the employees have gained through employee representation has been given them by the management, and not won through genuine joint action on the part of employee and managerial representatives.

Summary of the Four Cases

The accounts of these four instances of employee representation have necessarily been brief, and they give but small idea of the great care and thoroughness with which the investigations were conducted. They are of some service, however, in showing the practical workings of

shop committee plans under diverse conditions. There are, for example, differences in the relations of the workers to the trade union movement. There are many union members among the miners of the Colorado Fuel and Iron Company, but the steel industry is distinctly non-union, and union membership in the Minnequa Steel Works is much less extensive than in the coal mines. The Colorado Fuel and Iron Company does not deal with either miners or steel workers through the trade unions, but only through the Industrial Representation Plan.

The Dutchess Bleachery has no union employees but those in a single division, the folding department. The attitude of the company toward the folders' union is one of complete friendliness, and the union represents its workers in their business relations with the management. There seems to be no interest in unionism in the Procter and Gamble plants, and certainly there is no recognition of the unions. Nevertheless, employee representation can and sometimes does work in conjunction with thorough-going trade unionism, as we shall see in a later chapter, in our examination of the so-called "Baltimore and Ohio Plan."

The activities carried on in the Dutchess Bleachery demonstrate conclusively that employee representation may bring to the workers a sense of real participation in management, with very definite gains in good-will and cooperation, as well as in material things. The Procter and Gamble experiences, on the other hand, show how unimportant employee representation may become, for "the men are not reaching forward through the plan; the management has ceased to attempt any achievement through it." The Rockefeller Plan may be said to fall midway between these two; it has evoked much more enthusiasm than the Employers' Conference Committee Plan of Procter and Gamble, but not nearly so much as the Partnership Plan of the Dutchess Bleachery. In all four examples that have been cited, the employees have

enjoyed better conditions since the introduction of employee representation; but only in the Dutchess Bleachery —and, to a lesser degree, in the Minnequa Steel Works— have they played an active part in bringing about the improvement. In very large measure, the benefits that have been realized were initiated and administered by the management, without any real assistance from the workers.

CHAPTER VI

GAINS THROUGH EMPLOYEE REPRESENTATION

The experiences of several specific concerns with employee representation, and the gains made through its use, have just been recounted. These experiences are of particular value because they are reported by impartial investigators who approached their tasks in the spirit of scientific research. It is desirable, however, to look into the achievements of employee representation in its wider application, and we shall now record gains that are credited to shop committees by employers, workers, and students of labor problems. The facts to be presented have been gathered from a great variety of sources, and there can be no guarantee of their strict accuracy. On the other hand, there is no reason to suppose that these facts have been manipulated in any manner with the thought of thereby strengthening the case for employee representation. For convenience in treatment, we shall assume in the main that the gains made through employee representation are of two kinds, some being of particular benefit to the employees and others to the employer. However, if there is any validity to the theory of mutual interest, we should expect gains for the employer to be of benefit also to the employees, and vice versa; and this, we shall find, has often been the case.

Improvement in Plant Morale

It may be said, first of all, that employee representation has helped to restore the contacts between employ-

ers and employees which were lost in the development of large units of manufacture. These contacts, as has been explained, do not necessarily mean a personal relationship between management and workers, but they do mean the ability to make one's self heard through elected representatives, and an avenue of communication which enables even the humblest worker to take his grievances over the heads of those to whom he is immediately responsible. Mr. Rockefeller emphasized the importance of the right of ultimate appeal to the president of the company. It is seldom necessary to exercise this right, since most matters may be adjusted satisfactorily through consultation with lesser executives than the president; but the knowledge that all disputed questions may be carried to shop committees, or to officials not directly interested in the points at issue, is an immense satisfaction and a source of confidence. Not only in connection with grievances and complaints, but in all matters affecting directly the workers' interests, is there need for knowledge of what is being done and for contact with those who are responsible for doing it. Such contact and knowledge, in concerns having thousands of employees, can be had only through representation of some type.

Undoubtedly employee representation has been the means of acquainting employers with the employees' point of view, and informing workers of new departures being planned by the management. Employees, through their representatives, have been consulted about measures that concern them intimately. This is in distinct contrast to the old practice of deciding upon policies and then imposing them upon the employees, ofttimes without so much as an explanation. It is the difference between government by consent of the governed and government by compulsion. The use of employee representation is an evidence that the management does not think of labor as a commodity but as a group of human beings, whose wishes are entitled to some consideration.

Among the gains through employee representation, then, we may set down an advance in plant morale—expressing itself in a more friendly feeling between employer and employee, greater confidence on the part of each in the good intentions of the other, and a more earnest desire to cooperate in making a success of the common undertaking in which both are engaged.

Development of Spirit of Mutuality

The concept of a common cause, to which both employer and employees should lend their best efforts, is furthered by employee representation. To workers who do not have membership in trade unions, it gives a sense of "belonging," which they can scarcely have in the absence of representation. Even to the trade unionist, whose union affiliation is an evidence that he is a significant factor in the industry, the shop committee offers, through frequent consultation between representatives of management and employees in his own shop, a chance to learn about the problems that make the industry less profitable for all concerned, and an opportunity to aid in their solution. He gets, for the first time, a clear idea of the contribution made by each of the several factors taking part in production, and learns that capital and management are as essential as is labor in the joint enterprise of turning out finished goods and services to be used by society. If the employee is himself a representative, he sits down frequently with his fellow representatives and the representatives of the management, and discusses from all angles the matters on which they are asked to pass judgment; and the spirit of mutuality makes rapid progress. If he is one of the rank and file, he nevertheless has his representative, who is charged with the duty of seeing that he, the worker, gets a square deal, who is expected to see that the worker is kept informed of important matters that come before the com-

mittee for consideration, and through whom he can make his suggestions for bringing about a more effective operation of the plant.

Giving the worker a share in management, or leading him to *believe* that he has a share, is an important step toward developing mutuality of interests; and employee representation has made a contribution of this kind. Dr. Leiserson suggests that the most significant work that employee representation is doing is "uniting the workers and the management into one going concern, making the laborer an inherent part of the business, a citizen with rights and privileges as well as duties and responsibilities in industry."[1] Mr. Burton also emphasizes the "integration of conflicting interests" as one of the most important results of employee representation. "Regular and frequent joint conferences," he says, "are almost certain to develop the habit of looking upon conflict as an opportunity for constructive cooperation rather than for battle."[2]

Settlement of Grievances Without Stoppage of Work

The establishment of closer contacts and development of the spirit of mutuality are of advantage to both employers and employees. More distinctly a gain for the workers is the ready and satisfactory adjustment of grievances; though here, again, the management benefits through an increase in good-will and cooperation and a decrease in labor turnover. The settlement of grievances is one of the really important functions of the average shop committee—much more important, indeed, than the records of cases handled would seem to indicate. For many a problem which is just about far enough along to be called a grievance is settled while it is still in the "inquiry" stage, and goes down in the minutes under

1 *Personnel*, February, 1928, p. 131.

2 Burton, p. 135.

the heading of "wages," "working conditions," or something other than "grievances," where in many cases it could go with equal appropriateness. A gentle, quietly worded request for better washing facilities would doubtless be classified under "working conditions" or "sanitation," but the same matter brought up by another representative in the form of a vigorous criticism of working conditions, would probably go down as a "grievance." A tremendous amount of the representatives' time, then, has been taken up with settling or averting grievances; and this work in itself is of sufficient importance to warrant the existence of the shop committees. There is no telling how much damage a grievance will do if it goes unheard, but we know perfectly well that many a strike of large proportions has had its start in a trivial incident, which might easily have been adjusted had there been machinery for a full and impartial hearing of all the facts.

The provision for the settlement of differences without stoppage of work is one of the outstanding features of employee representation. Its importance to the worker is apparent when it is remembered that in some establishments as large a proportion as 90 per cent. of the grievances are settled in favor of the employees, with 50 to 75 per cent. as a fair average. This is strong evidence that under the old system of management, with discipline administered by foremen and other minor executives, and with no chance for appeal, the workers must have suffered considerable injustice and the management a good deal of unnecessary labor turnover. Not only has employee representation facilitated the ready and amicable settlement of grievances, but by providing for their adjustment it has made them rarer than they used to be. It is the almost universal testimony of employers that grievances, in the early years of a shop committee's existence, occupy much more of its time and attention than in later years. This decrease in the number of grievances

may be attributed in part to a general improvement in plant conditions, but it is also due to a better understanding between foremen and workers, and to the development of a body of shop committee rulings which supplant in large measure the arbitrary pronouncements of the past.

General Improvement in Plant Conditions and Shop Practices

The improvements in plant conditions that have taken place must not be underrated, however, for it cannot be denied that employee representation has brought advances in both physical plant and shop practices. Bad shop conditions and practices have often been allowed to continue simply because there has been no effective way of calling the attention of management to changes which seem desirable to the worker. Employee representation has supplied the means, and the workers have shown a readiness to report conditions that need remedying. It would be difficult to find a shop committee that has not increased the convenience, comfort, and safety of the employees through its discussions of transportation, restaurant accommodations, dressing rooms, drinking fountains, lighting and heating, elevators and stairways, and a host of other matters affecting the workers in their daily lives. The many "benefits," such as vacations with pay, pensions, and various types of free insurance, are more often initiated by the management than by the workers; though the representatives in the Dutchess Bleachery and other concerns have been responsible for bringing advantages of these kinds to the employees.

Employee representation is to be credited with changes in shop practices, that have been beneficial to the workers, such as revisions in working schedules, changes in methods of transfer and promotion, and so on. Living conditions, as we have seen, have usually been improved greatly after the establishment of shop committees, when

the workers are living in communities owned or controlled by the management. These changes for the better are not always the work of employee representation, but gains of this kind have sometimes unquestionably resulted from shop committee activities.

Higher Wages and Shorter Hours

It is not possible to say to how great an extent employee representation has brought increases in wages and decreases in the length of the working day. Certainly, gains in wages and hours have very often been realized under the auspices of a shop committee, but it is entirely possible that, in most cases, the gains would have come even in the absence of employee representation. We have seen, however, that the steel workers of the Colorado Fuel and Iron Company were able, through their representatives, to secure an actual eight-hour day when the basic eight-hour day was in force in the United States Steel Corporation and other competing companies. The shorter hours in the Dutchess Bleachery were the result of an effort to make conditions there as favorable as those existing in other branches of the industry, and their wage increases were on a similar basis. The safest generalization that can be made in this connection is that the wages secured through shop committees are seldom higher, and the working hours seldom shorter, than those obtaining in like industries without representation.

Indeed, it would be strange if this were not the situation under competitive conditions. When part of the industry is unionized, and part is not, there is a tendency for the non-union plants under employee representation to match, for their employees, the gains in hours and wages demanded and won by the union workers elsewhere; as is illustrated by hours and wages in the mines of the Colorado Fuel and Iron Company. We find, consequently, in many of the plants with shop com-

mittees, terms of employment that are as good as those which the unions have secured through collective bargaining. But in instances of this kind it would seem fairer to credit the gains to trade unionism than to pretend that they are due to the activities of works councils. Often, in addition to these equal terms of employment, the non-union employers grant pensions, shares in the profits, and other extras; but these, though often spoken of as gains due to employee representation, are to be found also in plants that have neither shop committees nor trade unions. In such concerns as the Procter and Gamble Company, the "benefit" features are certainly not the fruits of the shop committee's labors.

There remain some examples of employee representation in which wages have been raised and hours decreased, without reference to the actions of other concerns in the same type of industry. This has been possible because the gains enjoyed by the employees have been accompanied by a lowering of the costs of production. Results of this kind need not be looked for unless there is the closest sort of cooperation between employer and employees, with all intent upon improving output, both as to quantity and quality, and eliminating every preventable particle of waste. There are concerns that have succeeded, through employee representation, in reaching this high ideal, but they are few.

Employee Representation as an Aid in Effecting Unpopular Changes

Negotiations relating to terms of employment are a double-edged sword that may cut both ways. Improvements in the physical conditions of a plant are likely to be permanent, but advantageous hours and wages that shop committees secure for the workers in times of prosperity may be lost when depression lays hold upon the industry. One of the benefits of employee representation

most thoroughly appreciated by employers is its assistance in persuading the employees to accept wage reductions without resort to a test of strength. Some few have hesitated to use the shop committees for putting wage cuts into effect, since they are fearful that the connection of the committee with so unpopular a measure would lessen the prestige of the representatives. Unless the committee recommends that the reduction be accepted, it is of course futile to bring it up for consideration; and if the committee endorses the proposed wage cut, its members may be subjected to much harsh criticism at the hands of their constituents, and the whole plan of representation be brought into disfavor among the workers. But most employers have taken the risk, and have promptly made use of the shop committee for explaining proposed changes which, in the absence of explanations, might be resisted by the workers, and even result in strikes.

The employees, as a rule, have accepted almost without question the word of their representatives that the sacrifices suggested were essential to the continued operation of the industry, and have bowed to the inevitable with as good grace as they could muster. This does not mean that they have been satisfied with the changes, but only that they have seen no way to avoid them. An investigation conducted by the National Industrial Conference Board showed that "proposals for wage reductions or changes in work-hour schedules made by employers have, in every instance of which the Board has learned, been approved and accepted by the employee representatives on the works councils, when they were furnished with an explanation of the reasons necessitating such measures. In these instances employers utilized the works councils to keep their employees informed of business conditions as they affected both the companies concerned and the country as a whole; thus they prepared the minds of the employees for retrenchments

which were believed necessary. Employers stated that wage reductions or changes in work-hour schedules were put into effect in this way with much less misunderstanding and friction than would otherwise have been possible. This was the case because employees were in a position to realize that the economies which were made did not originate from a ruthless desire on the part of the employers to lower the employees' standard of living, but arose from the pressure of economic forces against which the employer as well as the employee was more or less helpless. Employees expressed appreciation of the manner in which wage reductions or changes in work-hour schedules were handled, because they were told why such adjustments were necessary."[3] There are some shop committees which, when asked to endorse smaller wages or longer hours, have made counter proposals for increasing efficiency and lessening waste, with a view to making changes in wages and hours unnecessary; and have won out, both in securing the management's approval of their program and in actual performance. Unfortunately, cases of this kind are not numerous; and if conditions do not make it possible to resort to this happy alternative, perhaps the best that can be done is to make the necessary adjustments with the minimum of misunderstanding and friction. Employee representation, as we have seen, aids in preparing workers for the unpleasant changes, and convinces them, when they come, that the changes are really unavoidable.

Gains in Productive Efficiency

The shop committee is welcomed by employers not only for its help when retrenchment is necessary but for its assistance in normal times as well. The 361 concerns questioned by the National Industrial Conference Board, several years ago, were almost unanimous in

[3] *Experience with Works Councils in the United States*, p. 7.

reporting that the relationship created by employee representation was a beneficial one. Only five out of the total of 361 firms said that the introduction of representation had not affected the relations between employer and employees.[4] One strong reason for managerial approval of the shop committee is the increase in productivity that has so often accompanied its operations. Since the primary purpose of industry is to turn out product, any device that makes possible a greater output with the same expenditure, or the same output with a smaller outlay, is pretty certain to have the hearty endorsement of employers who have experienced its benefits. The data of employee representation show nothing more clearly than that the installation of a shop committee system has, for many concerns, marked the beginning of a new era of productive efficiency. Here are a clothing concern that reports an increase of 50 per cent. in production, a textile mill with an advance of more than a third, a machine plant with 40 per cent. more output than its former standard,[5] a piano factory in which 168 men do the work previously performed by 268,[6] and a gas company which formerly used one salaried employee for every 290 meters in service, but now needs only one employee for every 352 meters.[7] In some instances the increased production has been realized in spite of reduced working hours. Sometimes it has been called forth by the lure of profit-sharing or bonuses. But in many cases it has apparently resulted simply from the interest taken by the employees in productive efficiency, which is due, in turn, to giving the workers some share in management, increasing their confidence in the good intentions of the employer, and stimulating a desire to make the operation of the plant a complete success. Under employee repre-

[4] The same, p. 110.

[5] These three examples are cited by Miller, p. 116.

[6] Leitch, p. 58.

[7] *Personnel*, February, 1928, p. 100.

sentation, the workers have not only been willing to adopt improved methods proposed by the management, but their closer contacts with production problems and better understanding of plant activities have enabled them to suggest, of their own initiative, changes that have made for greater efficiency.

Better Relations between Foremen and Workers

One reason for the employees' willingness to cooperate in increasing production is the improved relations that exist between foremen and workers under employee representation. Discipline, as we have noted, has to a large extent been taken out of the jurisdiction of the foremen and given to the workers themselves. It is especially difficult for management to administer discipline effectively in large establishments, and on this account executives have not infrequently been quite willing to delegate this function to the shop committee. It then becomes the duty of the committee to draw up shop rules and regulations, setting forth the offenses for which workers may be suspended or discharged or otherwise disciplined. Though the foreman may continue to hold the right to suspend or discharge workers under him, the exercise of this right is subject to review by the shop committee.

In accepting the power to formulate, through their chosen representatives, the laws of discipline which shall govern the shop in the interests of all, the workers are also making themselves responsible for the observance and enforcement of these laws. It was thought at first that employee representation, with its restrictions upon the authority of the foremen, might have a tendency to weaken the control of these minor executives over their men. Experience has proved that this fear was groundless. With very few exceptions the foremen, knowing that their actions are subject to review by the shop com-

mittee, have been more tolerant and more reasonable than in the past; and the workers, for their part, have shown a much greater willingness to obey the rules which they have voluntarily accepted than those imposed upon them by the executives. In 327 of 334 plants, the National Industrial Conference Board found that the relations between foremen and workers had improved since the installation of works councils.[8]

There is no indication that shop discipline has been impaired by putting it under the control of the shop committees. "Do not let anyone argue that employee representation is subversive of shop discipline," says Cyrus McCormick, of the International Harvester Company. "I have seen times when the council proved to the factory management that a man had been unfairly dismissed and, because it was the fair thing to do, secured his reinstatement. I have seen times when an employee representative was dismissed for cause, and, because of the justice of the discipline, his colleagues in the council approved. In none of these cases was shop discipline injured, but rather in every such case it was helped."[9] There seems, indeed, to be some evidence that shop discipline under democratic control is more strict than it was under the rule of foremen and other executives. But it is also more justly administered; and it is accepted in a better spirit, since it does not have the flavor of autocratic and arbitrary action.

Decline in Labor Turnover

A corollary to the better relations existing between foremen and workers is the reduction in labor turnover that has accompanied employee representation. It is not possible to determine the exact contribution that representation has made to this very desirable end, but a great

[8] *Experience with Works Councils in the United States*, p. 124.
[9] Quoted in Butler, p. 87.

many employers testify that the problem of turnover has been much less acute since the introduction and operation of the shop committee system. This is not surprising, since statistics indicate that, while turnover is attributable to a great variety of causes, prominent among these are friction between foremen and those under them, resulting in hasty discharges or voluntary separations, and other undesirable conditions that are at least partly remedied by shop committee procedure. It is quite likely that employee representation has not deserved all the credit that it has received in connection with reduced labor turnover, especially during the war and shortly thereafter, when the great demand for goods made it possible for certain employers to offer exceptionally favorable terms of employment. But there seems no reason to doubt that the generally improved conditions brought about through the agency of works councils have made many jobs more attractive to the workers and consequently decreased the number of separations, both voluntary and involuntary. Certainly, a great many employers believe that the decline in turnover has resulted from shop committee activities, some reporting that employee representation had cut down their separations as much as 50 per cent.

Another gain in connection with the maintenance of a satisfactory labor force is the greater ease with which competent workmen are secured to replace those who have left or been discharged, or to make additions to the personnel. Improved working conditions and better labor relations cannot long be kept a secret. The word gets out that this firm or that is a good one to work for, and applications for jobs increase with great rapidity. A number of concerns state that while they formerly had to advertise and send out scouts in order to get sufficient labor, the difficulties in securing labor disappeared with the coming of employee representation. Not only have the workers been more anxious to hold their jobs, because

of improvements that have taken place, but they have advised their friends to apply for openings, and the net result is a very considerable "waiting list," from which vacancies can readily be filled.

Reduction in Waste

Another gain for the employer, and usually for the employee as well, is a reduction in waste. Efficient operation of a plant means the conservation of both time and materials. "Soldiering" on the job is a waste of time which has been avoided by winning the good-will of the employees, and convincing them that doing "a full day's work" will not result in unemployment but will rather permit lower prices to be quoted for the goods and will bring about an increase in the demand. Strikes involve a tremendous waste of time, and the machinery of employee representation has frequently ironed out difficulties which might easily have resulted in strikes had no means of conference and consultation been available. Employee representation not only supplies the machinery for adjusting differences amicably, but it establishes the practice of settling small disputes by negotiation, and makes it natural to resort to this method, instead of to militant measures, when controversies of great significance arise. It is true, of course, that the shop committee organization is not well fitted to wage a strike, however great the provocation; and if real injustices are permitted to continue on this account, the prevention of strikes in such instances must be counted a loss and not a gain. It is charged by trade unionists that the impotence of company unionism does result in injustice; we shall examine this contention in the next chapter.

The benefits of a reduction in waste of materials can hardly be contested. Savings of this kind have been realized time and again through the cooperation of the shop committee. The reduction in waste is likely to be espe-

cially great when the employees are given a share in the savings effected; and this sort of inducement is often offered through profit-sharing schemes or an "economy dividend" feature such as has usually been included in the John Leitch plan, which has "economy" as one of its five major points.[10]

Assistance in Welfare Activities

There is little to add to what has already been said of the usefulness of shop committees in handling the welfare or service activities that are part of the labor program of many concerns. It may simply be noted, in passing, that the administration of activities of this kind constitutes an important part of the duties performed by nearly all shop committees of plants in which such work is carried on. The desirability of conducting welfare work has been questioned by labor leaders, on the ground that it smacks of paternalism, and is really unnecessary if the employer pays his workers a good wage. However, if it is to be carried on at all, it is doubtless best that it should be done by the workers themselves, not only because this arrangement relieves management of a great deal of routine work, but because it makes these activities seem less like charity, and gives them the appearance of benefits provided by the employees for themselves, which, in some cases, they come pretty close to being. It is possible, too, that the workers derive a good deal of pleasure from taking part in educational and recreational programs, the publication of a shop magazine, and similar ventures, and that these activities aid somewhat in developing qualities of initiative and leadership among those who are made responsible for their success. And when they are clearly something provided by the employer over and above good wages, fair hours, and

[10] See John Leitch, *Man-to-Man,* for many examples of waste reduction through employee representation.

pleasant working conditions—and not a partial substitute for these essentials—it seems likely that they are productive of good feeling, and that they help to establish, for the employer using them, a reputation for treating his workers well.

Effects of Employee Representation upon Trade Unionism

In speaking of the aims of employers in introducing employee representation, we mentioned the use of representation in combatting trade unionism. Here, again, it will not be possible to state how extensively the aim has been realized. It is perfectly evident, however, that the shop committee has forestalled the unionization of some plants, brought union activities to a standstill in others, and caused a definite decline in union membership among the workers in a good many establishments. The difficulties of maintaining interest in trade unionism in plants that are offering their employees great advantages through employee representation are many and serious, and they have already been dealt with in some detail.[11] The unions have little to offer their members who are working under conditions of this kind, except the privilege of paying dues and carrying a union card. Some, it is true, retain their union membership because they believe firmly in the principles of unionism and wish to aid in supporting and spreading these principles, and others because they may some day wish to give up their present jobs and get work in shops where union membership is required. Few workers, however, are so altruistic or far-sighted; and the establishment of employee representation has often resulted in losses in union membership that have brought sleepless nights to the labor leaders and joy to the hearts of employers who hate the unions. The president of one company reported that his plant was

[11] See pp. 116–20, above.

90 per cent. unionized when the shop committee plan was introduced, and that a little later he felt that none of his men belonged to labor unions.[12] Dean Miller cites a number of instances of the decline of unionism under employee representation conditions; in one of these plants, union membership fell from 80 per cent. to 20 per cent., in another from 90 per cent. to 2 per cent. and in a third from 75 per cent. to 25 per cent.[13]

There are instances, however, of unions prospering in the presence of shop committee organization. Strong union sympathizers have been elected as employee representatives, have virtually taken control of the shop committee, and have used it as a means of furthering the ends of the union. Such cases are rare, of course, and employers have seldom been willing to have the committees dominated by union leaders among the workers. Some of the employee representation plans that have been dropped were discontinued because, as the employers said, "radical" union representatives were more interested in advancing the selfish purposes of their union than in looking after the welfare of the plant. There are observers who believe that employee representation is better than no collective action at all; that the workers will not long be satisfied with the degree of power accorded them under shop committee rule, and will insist upon having more authority; and that this process will ultimately lead to recognition of the union. There are others who think that the working arrangement agreed upon by representatives of employer and employees "may perhaps more nearly conform to the needs and desires both of the employer and his employees than one negotiated between that employer, or an employers' association, and the officers of a national union."[14] There is no telling, at this early stage in the history of employee

[12] *Works Councils in the United States*, p. 99.

[13] Miller, p. 164.

[14] Burton, p. 109.

representation, which of these two views is correct. Thus far, however, trade unionism has suffered some losses that are chargeable to employee representation.

The possibility of a serious decline in trade unionism as shop committee organization continues to develop, raises the question as to whether the gains that the employees have received through employee representation are necessarily permanent in their nature. Some of these gains, as we have seen, are definitely attributable to trade union activities; an example is the gains in terms of employment, as relate to wages and hours, that obtain in the coal mines of the Colorado Fuel and Iron Company. We have heard of labor organizations which were "good unions" while they were building up their strength, but which, once they had attained full strength and were firmly entrenched, became arrogant and unreasonable. Is it not possible that employers, also, may have ulterior motives, and that, if they succeed in killing off the trade unions, they may gradually withdraw the benefits that their employees have enjoyed under employee representation? Fortunately, this question is one which does not demand an immediate answer. It is one, however, which is often asked—and answered in the affirmative—by union opponents of shop committees, into whose arguments against the employee representation movement we shall next inquire.

CHAPTER VII

UNION CRITICISM OF EMPLOYEE REPRESENTATION

The works council movement in England has been closely related to trade unionism. From the very outset, the Whitley Committee recognized the existence of strong organizations of both employers and workers, and assumed that the creation of works councils would in no wise affect collective bargaining as it had been carried out in the past. Works councils were designed to supplement the trade unions, and not in any sense to weaken or supplant them. They were expected to result in increased understanding and better cooperation between employers and employees, but not to lessen the dependence upon orthodox collective bargaining in such matters as the determination of terms of employment.

Organized Labor's Early Approval of the Works Council

The success of the Whitley Councils had a powerful effect upon the introduction of shop committees into American industry, and it seemed probable, for a time, that the works councils here, as in England, would have the good-will of the trade unionists. In October, 1917, President Samuel Gompers, of the American Federation of Labor, wrote in praise of the provisions of the Whitley Report,[1] and a year later, in commenting on the introduction of a shop committee into the Bethlehem Steel Company, by order of the National War Labor Board, he

1 *American Federationist*, October, 1917, p. 854.

said: "A shop committee for the Bethlehem Steel workers may mean the beginning of industrial freedom. The same benefits may be established for the workers in every other place where a shop committee is inaugurated; nor is it necessary to wait for an award from the War Labor Board. Shop committees can be established through the initiative of the workers themselves."[2] Meanwhile, the Executive Committee of the Federation, in its report to the Annual Convention in June, 1918, endorsed the use of shop committees in the following terms: "The Executive Committee believes that in all large permanent shops a regular arrangement should be provided whereby, first, a committee of workers would regularly meet with the shop management to confer over matters of production; and whereby, second, such committee could carry beyond the foreman and the superintendent, to the general manager or to the president, any important grievance which the workers may have with reference to wages, hours, and conditions."[3]

Later Antagonism toward Company-Controlled Organizations of Workers

The friendly attitude of labor leaders toward the works council was probably due to two causes. In the first place, they seemed to take it for granted that the employee representation movement in this country would not interfere with strict unionism; and, second, they had agreed to suspend the usual trade union activities until after the war emergency had passed, and doubtless felt that the organization of shop committees represented some gain for labor and might be an aid to trade unionism after the close of the war. In this matter, however, they were promptly disillusioned. No sooner had hostilities ceased overseas than it became evident that we were

[2] The same, September, 1918, p. 810.
[3] The same, July, 1918, p. 581.

to have an industrial war in America. With governmental restraints withdrawn, many employers attempted to reduce wages, and employees resisted reductions. National associations of employers launched active open shop campaigns, condemning the closed union shop as un-American, and advocating shop committees as a desirable substitute for trade unions. The delegates to the National Convention of the American Federation of Labor, in June, 1919, denounced non-union representation as a device adopted by management "for the express purpose of deluding the workers into the belief that they have some protection and thus have no need for trade union organization."[4] According to the unionists, the anti-union attitude of the employers was apparent at the First Industrial Conference, called by President Wilson in the latter part of 1919. Reporting on this conference, the Executive Committee of the American Federation of Labor said: "The position of the employers throughout the conference was a position of anti-unionism, a position of enmity and antagonism to trade union effort and organization. . . . They sought continually to find a way to secure approval of the conference for various forms of shop and company organizations, and the viewpoint which they sought constantly to inject was the viewpoint of the shop and the individual plant instead of the viewpoint of the industry as contemplated by the A. F. of L. and its affiliated organizations."[5] The Second Industrial Conference was equally unsatisfactory, from the point of view of the Executive Committee, since the Conference held that employee representation was not incompatible with trade unionism and endorsed the "various forms of so-called employee representation whose chief merit is that they serve the purpose of the

[4] *Report of Proceedings of the Thirty-ninth Annual Convention,* June, 1919, pp. 249–50. Washington: American Federation of Labor.

[5] *Report of Proceedings of the Fortieth Annual Convention,* June, 1920, p. 83. Washington: American Federation of Labor.

employers by organizing the workers away from each other.'' [6]

Official Pronouncements of Hostility

The passage of time has not altered the unionists' antagonism toward the shop committee, nor softened their indictments of what is considered to be a real menace to trade unionism. Year after year, the conventions of the American Federation of Labor adopt resolutions condemning the company union, by which is meant all types of non-union representation. Before turning to an examination of specific charges against employee representation, we may quote from the most recent resolution of the subject. This resolution was adopted unanimously by the 1927 Annual Convention of the Federation, and shows that the official attitude of the unionists has not changed since their first denunciation of company unionism in 1919. This latest arraignment is, in part, as follows: ''The 'company union' is a manifest fraud and serves no purpose other than to prevent workers from acting together in their own interests. The 'company union' is, as the Council states, 'an agency for administering the affairs of a company,' as against the interests of the men employed by the company. The members of a 'company union' may be represented only by officers and committees selected from a personnel in the employ of the company. The purpose is to increase the control of the company over the employees and to prevent them from organizing into trade unions through which they may promote their own interests and those of the community. The committee recommends that the report of the Executive Committee be approved and that the Council be instructed to make a thorough investigation of the character and activities of the 'company unions' for the

[6] The same, p. 85.

purpose of exposing to public view the true nature of such company controlled organizations."[7]

The Demand for "Outside Representatives"

One of the criticisms of the shop committee system most often made by unionists is that the workers, under employee representation, are limited in the choice of their representatives. Almost without exception, the constitutions of these plans specify that the representatives shall be elected by secret ballot of the employees *from among their own number.* This arrangement is not at all acceptable to trade unionists, who for years have been insisting that those who represent them in their business dealings with the employers must be paid, professional spokesmen, who are not in the slightest degree dependent upon the management with which they bargain on the workers' behalf. These business agents of the union do not labor under the handicap of a double allegiance; they do not attempt to serve two masters. There is no question about their being "for the workers," and all of their energies, like those of the lawyer serving his client, are directed toward looking after the welfare of the person or persons whose interests are being represented. Indeed, labor leaders often use the analogy of lawyer and client in this connection. "They [the trade unions] claim the right to exercise the same authority in the selection of their officers as a client exercises in the selection of an attorney," says William Green. "Who dares deny to laboring men the exercise of such a fundamental American right?"[8]

What the unions are after, of course, is representatives who will not be susceptible to suggestions from the management—representatives who will look after the in-

[7] *Report of Proceedings of Forty-seventh Annual Convention,* October, 1927, p. 318. Washington: American Federation of Labor.

[8] William Green, *The Superiority of Trade Unions over Company "Unions,"* p. 9. Washington: American Federation of Labor, 1926.

terests of the workers first, last, and all the time. They believe that the only way to secure such representatives is to have, as spokesmen for the workers, men who are in the employ of the workers themselves, and not of the business men with whom they are expected to deal on behalf of the workers. The worker who is paid by management, and who looks to management for the security of his position and possible promotion, can scarcely fail to be influenced, though perhaps unconsciously, by these items of dependency. The knowledge that he may lose his job or possible advancement, if he displeases his employer, is likely, say the union critics of employee representation, to make him timid in proposing measures that may be unpopular with the management, and less zealous than he should be in insisting upon the workers' rights in the face of managerial disapproval. The criticism is one that cannot lightly be dismissed. The offer of employee representation certainly implies a representation which shall be genuinely effective, and not merely nominal; and any restriction that is placed upon the workers in the selection of their representatives is, in effect, a failure to live up to the full implications of the offer. If the choice is limited to persons who, by reason of their economic relationship to the employer, cannot afford to oppose his wishes, there can be no representation worthy of the name.

Charges of Discrimination against Workers' Representatives

In replying to this criticism, the employers point to their agreements specifying that workers shall not be discriminated against because of union affiliations, or by reason of their activities as representatives of the employees. The provision of the Procter and Gamble plan is illustrative of protective clauses of this kind. It promises that "There shall be no discrimination under this

plan against any employee because of race, sex, political or religious affiliation, or membership in any labor or other organization. Every representative shall be wholly free in his performance of duties as such and shall not be discriminated against on account of any action taken by him in good faith in his capacity as representative."[9]

Practically all companies using employee representation, except those requiring their workers to sign "yellow dog" contracts, have in their articles of agreement promises of non-discrimination because of union membership. And it would be difficult to find a shop committee plan of any kind that does not profess to protect the interests of the representatives. But, as has been observed so many times, there is no point to merely *belonging* to a union, and no reason to penalize a man for so harmless an affiliation. It is only when he takes his union membership seriously, and urges his fellow workers to join with him in securing collective bargaining, that employers have any reason to find fault. And the protective clause, it will be noted, does not guarantee the right to engage in activities of this nature. There is nothing to prevent an anti-union employer from discharging immediately any "radical" or "union agitator," even though his radicalism and agitating consist simply of recommending union membership to other employees in the plant. Cases of discrimination against workers who present complaints, or representatives who press the claims of the workers, are hard to prove or disprove. There is certainly evidence to show that both the rank and file and their representatives feel some hesitancy in bringing matters to an issue, for fear of consequences to themselves. Mr. Selekman found, in his investigation of the workings of the Rockefeller Plan, that there was a good deal of fear of incurring the ill-will of the executives, and that, due to this fear, many grievances were never brought to the attention of the shop committee. Profes-

[9] *Revised Plan of the Employees' Conference Committee*, pp. 3–4.

sor Feis, in speaking of conditions under the Procter and Gamble plan, also mentioned that the representatives failed to give their views frankly and fully in committee meetings, and he attributed this failure in part to an anxiety lest foremen and other executives should be antagonized. Mr. Burton, some years ago, searched through trade union journals and addressed union officials in the hope of finding some concrete evidence on the subject of discrimination against employee representatives.[10] The fact that specific instances were not found does not, as he admits, prove that they do not exist. When a worker is demoted, laid off, or discharged, the real reason need not necessarily be given. And, likewise, he might be denied promotion, or be given disagreeable working places in shop or mine, without any direct proof that he was being penalized for his activities as a representative. However, despite the charge that many workers are "victimized" in these and similar ways, it seems probable, especially in view of the likelihood of exaggeration, that employee representatives are prevented by their own fears from taking active part in shop committee work much more often than they are punished by the management for such participation.

This does not mean that criticism of the present limitations upon the selection of representatives is unwarranted. Any condition which limits the workers' confidence in the plan itself or in the management, and prevents a free expression of opinion on the part of the representatives, is a condition which must be remedied before employee representation can be truly representative. Mr. Burton, who regards "integration" as a desirable primary objective of employee representation, concedes that there are some circumstances under which a shop committee plan "should recognize the desire of employees for separate meetings of their committees, for guarantees of independence for representatives, for an inde-

[10] Burton, p. 240.

pendent organization of employees, possibly having funds of its own and paid, full-time representatives."[11] And Ordway Tead, who has written extensively on the subject of personnel relations, expresses himself as "confident that developments will take place here which will make these organizations look more and more like industrial unions which will also have paid representatives and a stronger bargaining position."[12] In a few plants, the workers under employee representation have already been granted and are exercising the privilege of choosing full-time representatives from outside the shop personnel, and paying them from their own funds.

Employees' Need of Trained Representatives

But the limitation placed upon the choice of employee representatives is open to another criticism. It is charged that not only are representatives chosen from the working force of a plant likely to be discriminated against, or at least rendered docile through fear, but ordinarily they are but poorly equipped for the duties that they are expected to perform. The expertness of a wage-earner selected by his fellow-workers to represent them on the shop committee is usually restricted to the practice of his craft, and does not extend into the field of business management. He does not have, and cannot be expected to have, a familiarity with financial matters, market conditions, labor relations, and other subjects which enter into discussions on terms of employment which he will be asked to negotiate with the representatives of the management. Whatever knowledge he does possess is restricted to the local plant, and he is totally at sea in matters affecting the whole industry. He is not able to appraise the reports of the company relating to dividends,

[11] The same, pp. 185–6.

[12] *New Tactics in Social Conflict*, p. 117. New York: Vanguard Press, 1926.

profits, surpluses, and so on. He probably accepts them as accurate, but naturally lacks the technical ability to distinguish between honest and dishonest data. Moreover, he is rarely an expert in the art of negotiation, and is unable to go through the process of searching cross-examination that is sometimes essential if the whole truth is to be brought to light. It is all very well, according to the critics, to assume that all necessary facts have been presented to the committee, and that all facts presented are accurate. But it is much safer to have representatives who can ascertain for themselves that such is really the case, who can ask without hesitancy or embarrassment for further information, and who are competent to argue the workers' side of an issue with force and assurance. In these respects it would seem clear that the union official enjoys an advantage over the local representative.

Alleged Company Procedure affecting Committee Personnel

Promotion of Capable Representatives

Two points further may be mentioned in connection with the personnel of the shop committee. The first is that when, through native ability and considerable experience on the works council, an employee develops into a highly capable representative, it not infrequently happens that he is promoted by the management to an executive position. In such instances, it is sometimes charged that the management is deliberately robbing the workers of their most able leaders. From the employees' point of view, it is unfortunate to lose men who have proved themselves to be capable and diligent representatives of the workers. But it must be remembered that an intelligent employer is always on the lookout for exceptionally competent men who are ready and able to accept greater responsibilities; and one of the functions of the shop

committee is to discover and develop leadership. It would be manifestly unfair to both management and the lucky representative, if promotion were to be denied a man because, as a member of the shop committee, he had served his constituents with distinction.

Company influence in Elections

Another charge that is sometimes made is to the effect that employers exercise a control over the elections, which results in the selection of employee representatives satisfactory to the management. It is said that shortly before an election takes place, word goes out quietly through the executives of all grades, apprising the workers that this particular individual would make an especially good representative, or that that one is "in bad" with the management and, if elected, would not be able to win the sympathetic cooperation of the employer representatives. Here, again, is a problem which may be largely imaginary. There is certainly little or no direct evidence to show that employers have attempted to influence the choice of the workers in their election of representatives. It appears, on the contrary, that this is a matter in which the employers have done their utmost to avoid even the suspicion of evil, since there could be no surer way of discrediting the shop committee than to give the workers the impression that the selection of employee representatives is being dictated or even mildly influenced by the management.

Inability of Company Unionism to Attack Industry-Wide Problems

One of the major criticisms of employee representation is that it is based upon the assumption that the single plant or factory is the proper unit for labor relations, whereas the unionists claim that any system that limits its operations to individual establishments cannot possibly take care of the functions now being per-

formed by trade unionism. No one will question that there are certain duties which can be carried on most effectively through local organization, but there are other phases of industrial relations which cannot be dealt with at all adequately by local bodies. State and national organization of trade unions developed because the local unions were not in a position to cope with a number of urgent industry-wide problems. Such matters as wages, hours, and working conditions cannot be dealt with satisfactorily in a separate plant, without reference to the terms of employment existing throughout the industry. So long as any remnant of competition remains, individual employers do not have the power to grant to their employees those terms which they, as generous, high-minded employers, regard as fair and are willing to concede. If there exists in a competitive industry any appreciable number of employers who are willing to "sweat" their workers in order to secure the low costs that will enable them to capture orders, there will be a tendency to set up in all establishments in the trade, however liberal the management, a régime of long hours, low wages, and inferior working conditions.

A problem of this kind can be solved only through an industry-wide organization of the workers, which enables them to establish terms of employment governing the whole trade, and to protect all of the workers in it. This sort of organization is often welcomed by the employer who is interested in high standards for his workers, since, by forcing reactionary concerns to meet its demands, it permits the fair employer to provide terms which he recognizes as essential to the well-being of his employees. The stabilization of certain industrial conditions through trade union action has had the effect of reducing somewhat the hazards of doing business, and represents an important contribution of trade unionism to our economic order.

Destruction of Labor's Influence upon Corrective Legislation

The organized unionists have also been able to change economic conditions through legislative means. Though, with very few exceptions, the American Federation of Labor has not taken part in political contests by definitely allying itself with a specific political party, it has frequently endorsed individual candidates who have shown themselves to be in sympathy with the aims and methods of unionism; and has applied the principle of the boycott to others, denouncing them as "unfair" to labor, and calling upon trade unionists and the friends of labor to work and vote against them. The Federation leaders have often expressed themselves on such subjects as immigration, child labor, and workmen's compensation, and have sent to state capitals and to Washington committees of skilled lobbyists. These representatives of the union have not only presented labor's attitude toward desirable and undesirable legislation, but have sought to impress upon the law-makers the disastrous consequences that would befall not only the country, but the legislators themselves, should they fail to act in accord with the wishes of organized labor. In attempting thus to influence legislation, the unionists have been following, of course, the lead of "big business," which for decades has maintained expensive lobbies to insure that its claims for protection shall receive full consideration.

The benefits that have accrued to the workers through these tactics are not measurable; but there are indications that they have been considerable. To cite but a single instance, the present immigration law represents an immense gain to labor, in excluding at least two-thirds of the number of European competitors that used to arrive in America annually; and it can hardly be questioned that organized labor had a share in securing this piece of legislation. The universal substitution of em-

ployee representation for trade unionism would mean the disappearance of state and national organizations, with their corps of trained leaders, and would effectively put an end to labor's political power in this country; unless, as in England, it should crop out in the form of a *labor party,* which seems unlikely for a good many years to come. The unionists criticize employee representation, therefore, on the score that, unlike trade unionism, it is unable to exert any influence in favor of legislation that aims to provide better conditions for all labor.

Undue Emphasis upon Unimportant Matters

Another criticism of employee representation is that it is an agency for diverting the attention of the workers from such vital matters as wages, hours, and working conditions, and centering them upon welfare work and other activities that are relatively unimportant. We have seen that welfare activities do occupy a good deal of the representatives' time, but it would not be fair to say that these activities are unimportant. Despite the opposition of unionists to what they sometimes term "hellfare work," and their insistence that it is merely a sop thrown to the workers to keep them in good humor, and to prevent them from organizing into unions and taking an effective part in labor relations, the service activities of many firms are highly valued by the workers, and doubtless contribute much to their enjoyment and well-being. And if the work is of genuine service, as it seems often to be, this is sufficient reason for employee representatives spending their time and energies in seeing that the work is done properly. Under these circumstances, there is little justification for subjecting the shop committee to ridicule and censure, because of its interest in and attention to welfare work.

Furthermore, it is not generally true that discussions of such matters have crowded out consideration of

wages, hours, and conditions. It will be found upon examination that these three subjects, which have appeared to some trade unionists to be the only matters worthy of discussion, have figured very prominently in the meetings held by practically all shop committees. The real issues, therefore, have not been overlooked or neglected by the shop committees. If the representatives are not given sufficient authority to enable them to deal adequately with issues of this kind, here, indeed, is room for criticism. But there is nothing to be gained by pretending that the committees are kept so busy with bogus problems or unimportant matters that they have no time left for the consideration of affairs of significance. If a shop committee fails to legislate on matters of import, it is not so much from lack of time as from lack of power; or, again, the failure may be due to weakness of the personnel. A competent shop committee, armed with sufficient authority, will always be able to find time for the discussion of vital problems.

Deception in Crediting All Gains to Employee Representation

Two objections to employee representation that appear to be well supported are first, that employers frequently credit to the shop committees gains for which they are not responsible, and, second, that under some representation plans the workers are placed in a position that is unpleasantly like parasitism, since their terms of employment are dependent not upon their own efforts, but upon the terms won by other workers in other fields. Employers who favor employee representation seem to be disposed to give forth the idea that all advances in their plants are attributable to the shop committees. The object, the critics say, is to impress the workers with the importance and effectiveness of these committees, and to convince them that trade

unions are wholly unnecessary, since, in employee representation, they already have an agency that will secure for them all of the advantages that could be won through unionism, and even more. We have noted, in earlier chapters, several instances of improved living conditions, pensions, and other benefits, which in the plant magazines and public press are commonly associated with shop committee plans, but in reality could be, and probably would be, carried on in the absence of employee representation. The excellent housing and community conditions of the miners of the Colorado Fuel and Iron Company were found, upon investigation, to be essentially company matters and not the result of shop committee activities; and the various benefits enjoyed by the Procter and Gamble employees were conceived by the company and are administered by experts engaged for that express purpose.

In cases of this kind, the opponents of employee representation are warranted in pointing out the difference between gains won by definite action of the employees and those granted by a prosperous and benevolent employer. In instances of so-called parasitism, also, there seems to be little excuse for crediting the shop committee with having won the advantages enjoyed by the workers. We have seen that the Colorado Fuel and Iron Company guarantees its employees wages, hours, and working conditions not less favorable than those prevailing among its competitors; and the Philadelphia Rapid Transit Company for years paid its workers on the basis of average wages paid to street railway employees in similar positions in other cities of the same class. To suggest that high wages and other blessings enjoyed under an agreement of this kind are the results of employee representation is little short of deliberate misrepresentation. Credit for these advantages belongs to the union workers who have made them possible, and not to the non-union shop committee whose

whole share in the project consists of accepting the gains for which others have struggled.

Impotence of Workers under Employee Representation

But these are items of small importance in comparison with some which we shall now examine. One of the most serious charges against employee representation is that no real power is delegated to the representatives, and they are therefore unable to put into operation any measures which are opposed by the management. Almost always the shop committee has been initiated by the company; the plan has been cut to a pattern approved by the management, and in most instances the control has been retained pretty completely by the high executives. It often turns out that the authority given to the workers is much more limited than at first glance it appears to be. The Leitch plan of "industrial democracy," for example, sounds very democratic, indeed, until one discovers that while the "House" consists of representatives elected by the workers from their own number, the "Senate" is a group of foremen appointed by the management, and the "Cabinet" is composed of high executives. Since no measure can go into effect until passed by all three bodies, it is evident that the power wielded by the workers is not great, and that the analogy to the federal government is rather far-fetched. One authority on labor relations comments that the John Leitch plan "derives its name from a transference of the governmental machinery of the American Constitution to industry. The names used constitute, however, the only analogy to political democracy, or to democracy of any type. The system, in fact, is absolute autocracy masquerading in the clothing of democracy." [13] In the committee type of representation, it is the usual thing for management and workers to

[13] Lauck, p. 295.

have equal numbers of representatives, or at least equal voting power, but final authority to decide issues is seldom delegated to this joint committee. In the great majority of cases, the works council is essentially an advisory committee, whose findings are welcomed by the management but are not necessarily put into effect. The personnel of the committee makes it unlikely that decisions distasteful to the employer will be rendered, since it is always within the power of the managerial representatives to block a measure, and they are presumably in a position to know the employer's views on important subjects.

The Veto Power of Management

When a shop committee finds it impossible to reach a decision that is satisfactory to employee and managerial representatives, and to the individual employee whose grievance they may be considering, there is usually provision for an appeal to higher authority. This may be another joint committee, a group of executives, or a single high executive, such as the general manager or president. In none of these instances, it will be noted, is the power of decision in the hands of the workers themselves, and after one or two appeals have been made the matter is taken from the employees entirely and is settled by the management. There are exceptions to this statement, since some plans, as we shall see presently, provide for impartial arbitration by outside arbiters. It is evident, then, that when joint control by management and workers has reached a certain point, it comes to a halt and control by the management alone takes its place. So long as the representatives of the employer and those of the employees are able to agree on courses of action that are satisfactory to the management, the shop committee continues to function. But when the committee fails to agree, or when its decisions

are not in accord with the ideas of the chief executives, its usefulness is at an end; for the superintendent, or manager, or president, as the case may be, holds the power of veto, with which he can render the work of the joint committee null and void.

The records show, however, that in actual practice the right of veto is seldom exercised by the executives. Paul Litchfield, B. C. Forbes, John Leitch, and others who are familiar with the shop committee movement, have testified that never within their knowledge has it been necessary for the executives to use their veto power.[14] This may be an indication that matters are adjusted so satisfactorily in shop committee meetings that there is no need for appeal to a higher authority; or it may mean that, having failed to convince the joint committee of the desirability of the proposed action, the employee representatives have usually given up in despair and allowed the proposition to drop. The fact is that the final power to veto or approve recommendations made by the employee representatives rests, in most cases, with the president or other important official of the company, or with a committee of executives, subject in turn to the authority of the board of directors. So long as this condition continues, it cannot be claimed that the employees enjoy anything like *equal* control in management. Their part in influencing the conditions under which they work is just as great as the management thinks it wise to concede, and no greater.

Managerial Opposition to "Divided Control"

But there are very few employers who profess to be giving their workers an equal share in management, though the preambles to constitutions of certain shop committees plans might lead one to believe that employee representation would usher in a new era of good fellow-

[14] Miller, p. 100.

ship, good-will, and equality. The great majority of employers have never dreamed of giving their employees a voice in management that would lessen appreciably their own hold upon the situation, and their ability to take any action that they might deem essential to the welfare of the business. Mr. Burton, Mr. Hall, Mr. Lewisohn, and others whom we have mentioned in the course of this study, have consistently maintained that the function of management is to manage, and that divided authority is likely to end in disaster. "It is a mistake to have any system grow up in which the final responsibility for administration is divided," says Mr. Lewisohn. "Any plans that are devised for giving employees participation to a greater degree in management must not diminish management's initiative or responsibility and must not be regarded as a substitute for leadership. Such plans for employee participation must supplement management, not supplant it. It is a great mistake to consider this device as a means of balancing the power of management by the power of another group. It should rather be regarded as a mechanism which the management officials utilize to assist them in their function of leadership." [15] This is doubtless the view of many managers, and of impartial observers as well. John W. Riegel, of the Harvard Bureau of Business Research, holds that "final authority to conduct a business must remain, under the economic system of private enterprise, with the executives operating it in behalf of the stockholders who shoulder the risks of the venture." [16]

Professor Commons says that labor does not want participation in the responsibilities of ownership or management; that in the cases in which the employees have taken a large part in shop management, they have drawn

[15] Lewisohn, p. 127.

[16] Jerome Davis, Editor, *Business and the Church*, p. 321. New York: The Century Company, 1926.

the line at financial responsibility; and that what labor, as a class, wants is nothing more than security in a good job with power to command respect.[17] Dr. Leiserson, on the other hand, sees evidences of a desire for control on the part of the workers, and predicts the gradual attainment of greater power for the shop committee. "The management has started a movement in the direction of democracy in industry which is bound to grow," he says. "Just as the first political constitutions of European countries did not provide much democracy but gradually led to more and more democratic control by the people, so these employee representation plans may not have much democracy in them at first, yet it is inevitable that once a plan is established the workers will get more and more control over it."[18] Perhaps one of the best examples of this tendency is to be found in the experience of the Partnership Plan of the Dutchess Bleachery. It will be recalled that the request of the Board of Operatives for more power resulted in the establishment of the Board of Management, which is now the actual governing body of the plant, though its actions are subject to veto by the Board of Directors.

Arbitration of Disputed Points

Though the usual practice is for management to hold fast to ultimate control of the business, there has been provision, in some shop committee plans, for the arbitration of disputed points. In a few of these plans calling for arbitration, the procedure to be followed is not specified. In most instances, however, the procedure is outlined carefully, and consists usually of the selection of a single arbiter or a board of three arbiters, agreed upon in either case by the contending parties. The simplest

[17] Commons, pp. 266–8.

[18] *Personnel,* February, 1928, p. 123.

method is for the two groups of representatives within the shop committee to decide upon a single arbiter to settle the dispute. If an arbiter satisfactory to both sides cannot be found, it is customary to have two arbiters, one named by the employee representatives and one by the management representatives. If this committee of two fails to reach a decision, its members select a third person to serve with them, and thus a settlement is assured. In many cases the arbiters are chosen from the plant personnel, but some shop committee plans call for outside arbitration. The works council plan of the Knox Hat Company provides for settlement by the Arbitration Committee of the Chamber of Commerce of the State of New York; final appeal, under the plan of the Standard Oil Company of Indiana, is to the Secretary of Labor of the United States; and the Philadelphia Rapid Transit Company plan for years provided that the Provost of the University of Pennsylvania, the Chairman of the Public Service Commission, and the President of the Chamber of Commerce should be asked to serve as arbitrators in any matter which could not be settled amicably without outside assistance. A recent change in the plan of the Philadelphia Rapid Transit Company plan stipulates that final arbiters of disputed points shall be a representative of the employees, a representative of management, and the Chairman of the Public Service Commission.

A Prominent Example of Arbitration

Perhaps the most discussed form of industrial arbitration in this country is that which was introduced by Hart, Schaffner and Marx, of Chicago, following a bitter strike in 1910, and has since been adopted by so many large clothing manufacturers in the important markets. This plan includes recognition of the union, the Amalgamated Clothing Workers of America, and concedes its

right to represent the workers in the operation of a preferential union shop. It provides for a Trade Board, consisting of an "impartial chairman," selected jointly and paid jointly by management and union, whose chief duties are to represent the mutual interests of both sides in cases of dispute, to endeavor to mediate conflicting interests, and to hear and decide all petitions and complaints. Appeals may be made to a Board of Arbitration, which likewise consists of a chairman chosen jointly by the two parties, but may be enlarged by the addition of two persons representing the contending parties, if the need arises. This system of continuous, impartial arbitration has resulted in the development—in the clothing industry—of a body of laws and decisions which have done much to adjust complaints without provoking irritation.

Extent of Arbitration in Employee Representation

In an unpublished manuscript entitled "Employee Representation Plans and Arbitration," by H. LaRue Frain of the University of Pennsylvania, the author refers to a list of forty-four concerns having arbitration clauses in their shop committee plans. This list was sent to Mr. Frain by the National Industrial Conference Board in December, 1925, and was considered by the Conference Board to include practically all known cases of arbitration in connection with employee representation. In sixteen plans analyzed in a report of the Cleveland Chamber of Commerce, none were found to include arbitration. On the other hand, Dean Miller reported, some years ago, that "of one hundred American non-union council plans which have been examined, 52 per cent. provide for final arbitration of all matters upon which the workers and the management's representatives have been unable to agree."[19] The obvious dis-

[19] Miller, p. 98.

crepancy between Dean Miller's figures and the estimate of the Conference Board is accounted for by the fact that Dean Miller included in his total of plans providing for arbitration, some at least in which, while arbitration is mentioned, there is no assurance that it will be used, however great the desire of the workers to submit the disputed point to a board of arbiters. Certainly in three plans which he mentions the management may evade arbitration if it wishes to do so. Matters are referred to arbitration in the plan of the Colorado Fuel and Iron Company only "if the parties to the dispute so agree"; in the Bethlehem Steel Company "if the president and a majority of the employees' representatives on the General Joint Committee agree to such reference"; and in the International Harvester Company "by mutual agreement of the president and a majority of the employee representatives" or "by mutual agreement of a majority of both the employee representatives and the management representatives." The effect of provisions of this kind is, of course, that there is recourse to arbitration only when the management is willing to have problems settled in this way; and it seems probable that, in the case of a momentous issue the outcome of which was doubtful, the president or management representatives would refuse to submit the matter to arbitration, and it would be decided by the executives in accordance with their own wishes.

Limitations to the Use of Arbitration

Thus it will be evident that arbitration is not necessarily guaranteed in every shop committee plan in which the term appears. In twenty-seven employee representation plans which Mr. Frain analyzed in connection with the study referred to above, he found that thirteen stated that there "shall" be arbitration, in the event of failure to reach a satisfactory settlement by conference; eleven

provided for arbitration by mutual agreement of the contending parties; and three specified that arbitration should be used "if offered by the management and mutually agreed to by the parties." Mr. Frain suggests that the difference in these provisions for arbitration may not be important. "Technically, they would seem to be quite significant," he says. "For both parties must arbitrate when the plan says that there 'shall' be arbitration, but if 'mutual agreement' is necessary before arbitration takes place, either party may refuse without violating the agreement. If there is to be absolute assurance of arbitration under the agreement, then the term 'shall' is important, and the term 'mutual agreement' fails to meet the situation. . . . But whatever the technical differences may be, it is doubtful whether they have any practical significance. The very nature of the situation makes it unlikely that differences in phraseology will bring about differences in practical results, and perhaps there was no such intent in the minds of those who framed the provisions.

Works councils are established to promote harmony; as an aid to this end some of the plans provide for arbitration in one way or another. It may well be that neither of the parties expects to resort to arbitration, and that the purpose of its inclusion in the plan is to signify a mutual intent to avoid a dictatorial or arbitrary position on any issue. If, however, there is occasion to use arbitration, and the phraseology of the arbitration clause prevents its use, the entire plan is likely to be ignored or scrapped. But if arbitration is intended to establish confidence, it may be questioned whether a qualification, such as the one providing that it is available only when 'offered by the management,' is likely to contribute to this end." We should be inclined to add that an arbitration plan which cannot be put into operation by *either* of the two parties concerned, but only "by mutual agreement," is not likely to inspire a great deal of confidence. Certainly, the charge that the

workers have no chance, under employee representation, of putting into effect any measure opposed by the management, seemed to be well founded, except in the case of those plans which provide that arbitration may be evoked by either party and that the decision of the arbiters shall be final and binding.

The Advisability of Recourse to Arbitration

The limited information that is to be had on this subject suggests very strongly that arbitration cannot be considered a common feature of employee representation plans; that in many cases it could easily be avoided by management under the provisions of a "mutual agreement" clause; and that, in the actual operation of the shop committee system, arbitration has but seldom been called into use. Of the twenty-seven firms having arbitration, that were included in Mr. Frain's study, only one had ever resorted to this device in reaching final decisions. Dean Miller similarly reports that there have been discovered only a few instances of the use of arbitration in connection with employee representation.[20] However, since two of the firms that he cites as having had no recourse to arbitration are the International Harvester Company and the Colorado Fuel and Iron Company, we may well wonder whether the failure to use arbitration might not sometimes have been due to the nature of the arbitration clauses, the essential parts of which were quoted in an earlier paragraph.

There seems to be no agreement, on the part of employers, as to the need for arbitration in the operation of shop committee plans. There are those who favor it on the grounds that it gives the workers confidence in the good intentions of the management; that it provides a means of reaching final decisions without putting too great a strain upon friendly relations; that the settle-

[20] Miller, p. 100.

ment of industrial differences by arbitration is popular with the public and in line with enlightened business practice; and that a guarantee of arbitration, if needed, tends to make the disputants reasonable, and thus renders the actual use of arbitration unnecessary.

There are others, however, who say that arbitration is not needed in connection with employee representation; that it is a mistake to call in outsiders to settle differences between management and workers; and that the use of arbitration is an evidence of weakness in management. The Washburn Crosby Company, the Standard Oil Company of New Jersey, the Hamilton Watch Company, and the Procter and Gamble Company reported to Mr. Frain that they had never felt the need of arbitration. The Goodyear Tire and Rubber Company and the Yale and Towne Company stated that it seemed to them unwise to introduce outside parties, not acquainted with their peculiar problems, into the disposition of questions at issue between employer and employee. The Dennison Manufacturing Company is among those concerns that consider the use of arbitration a sign of faulty management. Mr. Frain quotes the Employment Manager of this company as saying that he once asked Mr. Dennison: "What would be done if we finally came to a point where arbitration seemed the one way out?" The reply was brief and to the point: "The first thing we would do would be to fire you! If the personnel relations in our company have come to the point that management and employees cannot get together on a proposition without the necessity of calling in an outside party who knows nothing about their problems, then it would be high time for us to clean house so far as the Personnel Department is concerned." Mr. Burton, keeping in mind the objectives of employee representation and the obligations of the management to the owners of the business and the public, is opposed to a general arbitration clause. He notes the advantages of

arbitration by mutual consent, which "enables the management to make its decision final whenever it so desires, except in so far as resort to strike may enable the employees to win their ends by force." Thus the interests of the stockholders and the public are safeguarded. And if the spirit of employee representation is understood aright and entered into whole-heartedly, there will be no recourse to arbitration, is the implication. "Under ideal conditions it should be unnecessary to refer any questions to arbitration, as an integrated relationship between management and employees should make possible mutually satisfying agreements 'within the family.'" [21] The difficulty, as Mr. Burton recognizes, is that conditions are not always ideal, integration is not perfect, and the inability to arrive at "mutually satisfying agreements" results in arriving at decisions satisfactory to the management. With the exception of those plans which provide that arbitration *shall* be used at the request of *either* party, employee representation does not guarantee that questions shall be decided strictly on their merits, and the workers remain under the rule of autocracy, benevolent or despotic as the case may be.

Absence of Fighting Machine in Company Unions

Mr. Burton refers, in a sentence quoted above, to the possibility of the employees winning their ends by force. But this possibility is not great, for one of the criticisms of the trade unionists is that under the shop committee system the conditions of equality essential to collective bargaining are wholly lacking, and the workers are ordinarily quite unable to exert economic pressure. The unionists can always turn to the strike as a last resort, but in using this weapon they have resources which the non-union workers under employee representation do not

[21] Burton, pp. 175–8.

enjoy. They have experienced leaders who know when and how to strike; they have their "war chests," from which to draw funds during the period of the strike, and they have affiliations with other bodies of workers who stand ready to give financial aid, if it should prove necessary. Most important of all, perhaps, they are able, because they are organized on a national basis, to call a widespread strike, which is much more likely to succeed, and quickly, than is a local one.

These are advantages that do not exist under employee representation. In leaders, in funds, and in outside contacts, the non-union employees are almost wholly deficient. It is sometimes suggested that this lack of economic strength is over-stressed, and that the shop committees are not so impotent as they are sometimes represented to be. The shop committee, says one authority, is in several ways "more peculiarly fitted to strike effectively than the trade union. Organized with the single plant or corporation as a unit, including in its membership all classes of employees, it is better able to paralyze completely the plant as a whole, than a union organized upon the basis of single trades or crafts. Although it has no strike funds and is incapable of a prolonged struggle, where the strike is so effective from the outset it lasts only a brief time. Where there is the will, the shop committee is fully able to wage a short, sharp struggle sufficiently effective to secure results." [22]

This view disregards the fact that the non-union shop is usually lacking in solidarity. The spirit of "one for all, and all for one" has not been drilled into its personnel, and it seems doubtful that, in time of emergency, the workers could be counted upon to hold together long enough to insure the winning of even a short strike. Moreover, if the company union went on strike it would have no way of reaching other workers to prevent them from breaking the strike. This is one of the

[22] French, p. 89.

disadvantages of isolation. Another disadvantage, from the employees' point of view, is the ability of the employer to secure aid from fellow-employers, if but a single plant in a given industry is closed by strike. To carry on a strike under such handicaps would be pretty discouraging business. But it is claimed by some that the "partnership spirit" engendered by employee representation makes it unlikely that the workers will have need for economic armament, since the methods of the shop committee, unlike those of the union, are cooperative and not combative.

Weak Bargaining Position of the Company Union

It has long been recognized that in the absence of equality of bargaining power between employer and employees, there can be no true collective bargaining. "I appreciate fully that employee representation cannot bring about equality of bargaining power," says Ordway Tead, in endorsing the use of the shop committee in non-unionized fields. "Also I agree fully that equality of bargaining power is a fundamental condition of sound relations."[23] He takes the position that employee representation is better than no attempt at collective dealing. But how much better, in the way of protecting and advancing the workers' economic status, it is difficult to say. If the conditions essential to collective bargaining do not exist, it would seem that the terms of employment must be made on the old basis of the individual bargain. But the difficulties of bargaining individually have increased of late years. Morris Hillquit, the lawyer, who is also a prominent Socialist, describes the situation as it appears to him: "The jobs of the country are largely concentrated in the hands of a few powerful industrial concerns. The individual worker is absolutely powerless to deal with such concerns on terms of equal-

[23] *New Tactics in Social Conflict*, p. 116.

ity. It is preposterous to speak as we do of the labor contract between, say, an individual steel worker and the United States Steel Corporation, an individual automobile worker and the Ford Company or the General Motors Corporation, or an individual railroad worker and the Pennsylvania Railroad Company. The only way in which labor can meet organized capital in the labor market on terms of relative equality and actually bargain for terms of employment is by collective and organized action. If the trade union controls the supply of labor power in a certain industry to about the same extent as the trust or association of employers controls the jobs in the industry, then, and then only, will they sit down and discuss terms and strike a fair arrangement for both sides.'' [24] This is the view not only of Socialists and trade unionists but of the majority of disinterested students of labor problems, as well. Under employee representation, the employer usually holds the veto and deciding power, and the employees can do little but accept his action as final. But workers organized into strong trade unions are in a position to protest the arbitrary ruling of an employer.

Growth of Employers' Associations in Numbers and Power

The unionists regard strong organizations among the workers as especially important since management has recently manifested a strong tendency to band together in chambers of commerce, boards of trade, and employers' associations of many types. Several years ago, the National Industrial Conference Board estimated that there were more than 3,000 employers' associations in the United States, with a total membership of over 4,000,000.[25] With large financial resources, paid ex-

[24] *Proceedings of the Academy of Political Science,* June, 1928, p. 84.

[25] Quoted in Miller, p. 168, from *Introduction to the Study of Labor Problems,* by Gordon S. Watkins.

perts, and arrangements for giving aid to members in time of industrial emergency, these associations add greatly to the bargaining power of the employers, and make it all the more necessary for the workers to have nation-wide unions if they are to play an effective part in arranging the terms under which they are to be employed. Labor leaders charge that employers who favor shop committees are inconsistent in that they themselves take membership in national organizations, and at the same time insist that the workers' organizations shall be purely local.

In two other matters, also, inconsistency is charged. One is the adoption of the closed shop, non-union of course, by certain employers who have long condemned the closed union shop as unfair and un-American. The other is the use of the "check-off," which permits the employer to deduct from the workers' wages their membership dues in the company union. For many years the check-off has been a bone of contention, and employers have objected strenuously to its use by the unions. The trade unionists, noting the growth of employers' associations and the use of "yellow dog" contracts and the check-off, are moved to remark that in labor relations it makes a difference whose ox is being gored.

Menace of the "Yellow Dog" Contract

The "yellow dog" contract, especially, has aroused the ire of organized labor, and has been the object of many vehement attacks. This contract is an agreement which certain employers require their workers to sign, specifying as a condition of employment that the workers shall not belong to a trade union. "The term 'yellow dog' has no reference to the unfortunates who are compelled to surrender their rights in order to obtain employment," says an official publication of the American Federation of Labor, "but refers solely to the 'contract'

itself which, like the proverbial alley cur, is a menace to the community in which it exists."[26] The "yellow dog" clause signed by the employees of the Interborough Rapid Transit Company of New York is a fair sample. Recent labor difficulties experienced by the Interborough have caused this clause to be studied carefully by lawyers, judges, economists, and others. It reads as follows: "In conformity with the policy adopted by the Brotherhood and consented to by the Company, and as a condition of employment, I expressly agree that I will remain a member of the Brotherhood during the time I am employed by the Company and am eligible to membership therein; that I am not, and will not become identified in any manner with the Amalgamated Association of Street and Electric Railway Employees of America, or with any other association of street railway or other employees, with the exception of this Brotherhood, and the Voluntary Relief Department of the Company while a member of the Brotherhood or in the employ of the Company, and that a violation of this agreement or the interference with any member of the Brotherhood in the discharge of his duties or disturbing him in any manner for the purpose of breaking up or interfering with the Brotherhood shall of itself constitute cause for dismissal from the employ of the Company.[27] The Brotherhood referred to in this clause is the company union of the Interborough Company. The Company made this clause the basis of an application for a court injunction, by which it sought to prevent the American Federation of Labor, and its members individually, from attempting to organize its employees into a union, urging that an effort to unionize its workers would involve an attempt to induce breach of contract. In Ohio, Illinois, California, and several other states, legislative measures have been

[26] *Proceedings of the Forty-seventh Annual Convention*, p. 291.

[27] *Constitution of Brotherhood of Interborough Rapid Transit Company Employees*, p. 22.

presented which aim to secure laws declaring the "yellow dog" contract to be contrary to public policy and therefore void. If the contract is allowed to stand, and is interpreted by the courts as making it unlawful for union organizers to carry on their work, the development of trade unionism in this country will be interfered with seriously. It is not difficult to see, therefore, why the "yellow dog" contract is detested by labor leaders, who regard it as one more indication that the employers, in embracing employee representation, are aiming at the destruction of unionism.

Insecurity of Advances under Employee Representation

We have noted, several times, the fact that employees under a shop committee plan often enjoy as good terms of employment as those working in closed union shops, and sometimes even better. Professor Commons estimates that from 10 per cent. to 25 per cent. of American employers are so far "ahead of the game" that the trade unions cannot reach them. "Conditions are better, wages are better, security is better, than unions can actually deliver to their members." [28] Not all of these progressive employers have established shop committees, to be sure, but it is fair to say that a great many of them have. And it is certainly true that under some plans of employee representation the workers have had not only wages, hours and conditions equal to those secured through collective bargaining, but in addition such benefits as bonuses, pensions, and insurance of various kinds. Why, under these conditions, do not all workers abandon unionism, with its dues and other obligations, and accept the blessings that their employers are willing to confer upon them? There are several answers, or partial answers, to this question. In the first place, not all employers are of the high type that Professor Commons

[28] Commons, p. 263.

has referred to. His statement, as quoted, accounts for only 10 per cent. to 25 per cent. of the total. "The other 75 per cent. to 90 per cent.," continues Professor Commons, "are backward, either on account of inefficiency, competition, or greed, and only the big stick of unionism or legislation can bring them up to the level of the 10 per cent. or 25 per cent." [29] Here, then, is work for the trade union, since it is clearly outside the scope of employee representation.

A second reason for holding fast to unionism is that the gains that have come through the shop committee system are not necessarily permanent in their nature. The continuous operation of a works council plan is not definitely assured. It is almost as easy to abandon employee representation as to install it, and it would be possible to cite instances of numerous plans that have been repealed for one reason or another. The statistics of the National Industrial Conference Board show that many works councils are discontinued every year. Moreover, the measure of good that comes to the workers through a shop committee plan is almost wholly dependent upon the generosity of the employer. It is unlikely, no doubt, that the benevolent employer will change his ways and withdraw the favors that he has been conferring upon those in his employ, but ultimately, of course, he must pass from the scene, and others take his place. We have seen that final authority rests almost always with a high executive, so that a new president or general manager might, if he saw fit, undo much of the progressive work of his predecessor, in the matter of labor relations.

There is, in the third place, the question of further gains, for workers, like employers, do not expect to stand still as the years pass by. Again the question of economic power comes to the forefront. The progressive employer may be progressive up to a certain point only.

[29] The same, p. 263.

He may decide that present wages, hours, and conditions, are fair and just, and that there is no reason to change them materially from year to year. This may be a fertile field for the activities of the trade union, since the workers under employee representation are much more likely to have to content themselves with what the employer chooses to grant, in the way of terms of employment. Finally, there are many unionists who take pride in the part that organized labor has played in influencing legislation, and engaging in other phases of the "larger usefulness." For these and other reasons the unionists have declined to accept the shop committee as a substitute for trade unionism. As we have seen, they have taken the position that it is an enemy, and will treat with it only as an enemy until the union shop shall have been made the basis of the works council, as it has been from the beginning of the movement in England and other European countries.

Union Attacks on Employee Representation

Individual trade unionists have not infrequently served as representatives on shop committees, and there are some who frankly endorse this form of representation as an advance over no representation at all. One employee representative, who is also an official in the Local Trades and Labor Council, expressed the following opinion: "In a plant where the employer won't recognize the unions and won't deal with them, I think the unions should make all the use they can of a works council. It's the only way we have of getting in touch with the management, and why shouldn't we use it? There is nothing to be gained by standing off and refusing to take part in the council. We see to it that union men are elected to the committees. We can bring up before the management in that way the things we want them to do. If we didn't make use of the council

plan, our point of view wouldn't receive any consideration at all."[30] But the official attitude, as we have seen, is one of antagonism to the shop committee. Most trade unionists working in union shops approve heartily of this position, and some who are compelled to work under non-union works councils try to show their dislike of employee representation. Their opposition takes several forms. Some are content to hold the plans up to ridicule, contrasting them unfavorably with trade unionism. Others have declined to serve as representatives, or to take any part whatsoever in shop committee activities, even refusing to vote for employee representatives. Still others have been instrumental in having strikes called in plants employing non-union representation. There are no statistics showing the success or failure of these tactics. All that can be said is that they have unquestionably interfered with some shop committee plans, in some instances to the extent of making it necessary to abandon employee representation entirely.

Four Methods of Fighting Company Unionism

Robert W. Dunn, who is an ardent unionist, has presented a program of activities through which the unions may carry on their task of fighting the company union type of representation. His proposals include (1) boring from within; (2) fighting from without; (3) amalgamating the craft unions into industrial unions; and (4) organizing the unorganized.[31] Boring from within consists of capturing the machinery of employee representation, and converting it to the uses of the unionists. It usually begins by pledging candidates to fight, after election, for committees composed solely of workers, and for recognition of the unions; and to give more time to the consideration of the "real demands" of the workers

[30] *Experience with Works Councils in the United States*, p. 140.

[31] Dunn, pp. 194–202.

and less to what Mr. Dunn calls "pseudo-welfare work." In suggesting this method of combating company unionism, he sounds the warning that "borers are very likely to bore themselves completely out of the shop and find themselves blacklisted." Boring from within, then, is dangerous work, and seems much more likely to result in the withdrawal of employee representation than in the unionization of the shop. Fighting from without is illustrated by the organization of the Brotherhood of Sleeping Car Porters. The Pullman Company has provided employee representation since 1920, but it has been so unpopular among the porters, that these employees began, in 1925, the organization of a regular trade union, which has as one of its chief objects the defeat of the shop committee system. This method of "attack from without" has not as yet brought recognition of the union by the management; but the Brotherhood has grown tremendously in numbers, and may soon be in a position to demand and fight for definite recognition and the right of collective bargaining. In advocating the amalgamation of craft unions into industrial unions, Mr. Dunn seeks to relieve unionism of a condition that has long been recognized as a source of weakness. Trade unionism in the United States has been, and still is, predominantly craft unionism; employee representation, on the other hand, resembles industrial unionism in its attempt to unite into one group all workers, skilled and unskilled, engaged in the production of a given product. Had there been a strong industrial union movement in this country when the shop committee put in its appearance, it seems probable that non-union representation would not have made such rapid progress. It does not surprise Mr. Dunn that "the unskilled worker, ineligible to join the 'regular' craft unions, should listen to the 'shop union' arguments of the company's personnel department." His proposal is that the bad situation now existing be remedied as promptly as possible by provid-

ing a type of union organization to which unskilled as well as skilled workers may belong. The importance of organizing the unorganized, which is Mr. Dunn's fourth method of combatting the shop committee, is evident. It may be done along craft union or industrial union lines, but preferably the latter, for many of those who are likely to come under the baneful influence of the company union if not promptly enrolled in a national labor organization are unskilled or semi-skilled workers who can scarcely be said to have a "craft" or "trade." In waging a vigorous campaign for new members, the union organizers will at times have to contend with "yellow dog" contracts and court injunctions, but the work of organization is one that must be done, and done thoroughly, if unionism is to hold its own in the contest with employee representation.

CHAPTER VIII

THE LITERATURE OF EMPLOYEE REPRESENTATION [1]

Plans for winning the cooperation and good-will of industrial workers through the medium of representation are known by many names. One of the most common is "employee representation." Whether this name or some other is chosen from the dozen or more readily available, the basic idea is the same. That is to say, such terms as "works councils," "shop committees," and "industrial democracy" are applied (with little or no thought of differentiation) to all plans for collective dealing limited to single plants, and functioning through frequent conferences of appointed or elected representatives of management and workers.

The employee representation movement in America dates from 1917. It is true that the Colorado Fuel and Iron Company, William Filene's Sons Company of Boston, and a few other firms had introduced "cooperative plans" before this date, but *as a movement* employee representation got its real start with the entry of the United States into the World War. Widespread adoption of non-union collective dealing came in response to war-time demands for greater production. Once well launched, the movement gained rapidly in popularity.

[1] The material of this chapter was contributed by the present writer to the *Quarterly Journal of Economics*, and appeared as an article in the May, 1928, issue of that journal. By permission of the Editor, Professor Taussig, it is reprinted here, without change, with the thought that it may be of assistance to readers who wish to go more deeply into the subject of employee representation.

The 225 plans in operation in 1919 jumped to 725 by 1922, to 814 by 1924; and there are probably a thousand or so plans now functioning. In this age of many books on business subjects, employee representation has not been overlooked. The present paper will give some notion of the ground covered by the most important books in the field.

Studies of National Industrial Conference Board

The National Industrial Conference Board has done much to arouse interest in employee representation, and to keep the student of industrial relations informed of its developments. For almost a decade this Board has used its extensive powers of investigation in collecting and analyzing data relating to works councils. Beginning in 1919, it has published reports every few years, and promises that yet another volume will appear in 1928. The Board's earliest attention to the subject was a two-page reference in *Problems of Industrial Readjustment in the United States*[2] to the Works Councils in England and the experiences of the National War Labor Board in the United States. With this short account went the comment (almost prophetic, it now appears) that "few suggestions for the readjustment of labor conditions seem more worthy of thorough-going and candid consideration."

The Board's First Comprehensive Report on this Subject

Eight months later, in October, 1919, came the Board's first comprehensive report of the movement, *Works Councils in the United States.*[3] This book gives

[2] *Problems of Industrial Readjustment in the United States;* Research Report No. 15. New York: National Industrial Conference Board, Feb., 1919.

[3] *Works Councils in the United States;* Research Report No. 21. New York: National Industrial Conference Board, Oct., 1919, pp. 135.

an account of the beginnings of industrial representation in the United States, with short sketches of its installation in several modern establishments; it analyzes works councils on the basis of location, size of community, nature of industry, extent of trade-unionism, and the like; discusses types of council organization, extent of authority, methods of settling differences, and so on; and treats of the functions and activities of works councils. In this volume the Board began the good work, since continued, of presenting statistical data to which, of necessity, every writer on the subject turns when in search of definite facts relating to employee representation.

A Practical Manual on Works Councils

In February, 1920, the Board produced a 32-page *Works Council Manual,*[4] "intended for the practical use of the employer who has definitely determined to introduce a works council into his establishment." This report covers such matters as types of councils, the best basis of representation, procedure for adjusting disputes, problems connected with elections, meetings, and other council affairs. These hints on what to do and how to do it must have been especially helpful in those days when but few experiences with employee representation had been related in print. But they are also useful today.

A Volume of "Experiences"

Two years later, there was sufficient new material on hand to warrant the publication of another book, *Experience with Works Councils in the United States.*[5] More than half of the report has to do with details of introduc-

[4] *A Works Council Manual;* Research Report No. 26. New York: National Industrial Conference Board, Feb., 1920, pp. 32.

[5] *Experience with Works Councils in the United States;* Research Report No. 50, National Industrial Conference Board. New York: The Century Co., May, 1922, pp. 191.

tion and operation of works councils, bringing up to date the subject matter discussed in the *Works Council Manual.* Of great interest are several generalizations based on a survey of employee representation up to that time. It had been discovered, for example, that most of the shop committees established by the National War Labor Board and the Shipbuilding Adjustment Board had ceased to function, but that only a few of those introduced voluntarily had been abandoned. There was noted a lessened tendency to use representation for presenting complaints and grievances, and an increased interest, on the part of committeemen, in general business conditions and plant efficiency. The growing popularity of employee representation was indicated by testimony of management and workers that the effect of works councils was beneficial, that foremen and workers were getting along better than formerly, and that there had been gains in productive efficiency. Two sections of the book of particular value to students of labor relations are Chapter 2, dealing with the experiences of thirty-seven firms that, for one reason or another, discontinued their works council plans, and the whole of Part III, in which are set forth employers' opinions on selling the idea to the workers, the importance of maintaining the interest of both management and men, and the great usefulness of employee representation in large organizations.

Statistics on Works Councils

The Growth of Works Councils in the United States[6] is a statistical summary. It presents, with very little comment, figures showing gains and losses in employee representation activity, from 1919 to 1924. It tells of the distribution of works councils by states, industries, size

[6] *The Growth of Works Councils in the United States;* Special Report No. 32. New York: National Industrial Conference Board, Inc., 1925, pp. 15.

of establishments, dates of organization, and types of plans. One table indicates the causes of discontinuance of works councils in thirty-five plants; and there is a selected list of one hundred concerns using employee representation, showing the type of plan in operation and the date of installation. This pamphlet is a great time-saver for anyone needing definite data on the representation movement. With the publication of *Experience with Employee Representation,* which is expected to appear within a few months, the National Industrial Conference Board will round out ten years of research in this field, and will have contributed more than any other single agency to the spread of information on industrial representation.

A "Handbook for Employer and Employee"

The Shop Committee,[7] by William Leavitt Stoddard, is an early work on representation in industry which has been quoted widely. Mr. Stoddard was an Administrator for the National War Labor Board, and he played a leading part in the development of a joint committee plan in the General Electric Company's works at Lynn, Massachusetts. This plan is described in detail, and three other shop committees are outlined. There is advice on technical points, such as the basis of representation, election machinery, and methods of procedure, based largely on the writer's first-hand experiences. A statement of the fundamental principles of the shop committee and a short historical sketch add to the value of this "handbook for employer and employee." In his concluding chapter, Mr. Stoddard suggests that "the shop committee, meaning thereby the *idea* of joint shop and industrial committees and councils, is a substitute for trade unionisms. It is a substitute which the unions and the employers will wel-

[7] *The Shop Committee,* by William Leavitt Stoddard. New York: The Macmillan Co., 1919, pp. 105.

come." This was written, of course, at a time when organized labor seemed favorable to representation, and when it could not be foreseen that the American Federation of Labor would definitely take up arms against it.

Leitch's "Industrial Democracy"

Bearing the same date as Mr. Stoddard's book (1919), is another, founded on practical knowledge. John Leitch's *Man-to-Man* is the story of the "industrial democracy" form of representation which Mr. Leitch himself devised. The plan provides for house, senate, and cabinet, so-called because industrial democracy was to grant the economic world the blessings that American democracy had brought into the field of political activity. These three groups are in reality committees of representatives, the house alone being elected by the workers, while the senate and cabinet are appointed by and represent management. Mr. Leitch introduced this arrangement into a number of establishments, and found that it worked well. *Man-to-Man* tells of remarkable accomplishments in three plants that had been in a very bad way. To these and other concerns industrial democracy has "brought at least these five changes:

1. An increase in production.
2. A decrease in the cost of production.
3. A decrease in the labor turnover.
4. A reputation throughout the community as a desirable place to work in, and consequently a greater ease in hiring men.
5. An immunity from strikes and other labor troubles." [9]

Not content with general statements, Mr. Leitch gives exact figures, showing reduction in hours with no loss in output, percentage decreases in cost of production, and so on.

[8] *Man-to-Man,* by John Leitch. New York: B. C. Forbes Co., 1919, pp. 249.

[9] The same, p. 169.

The Nature of "Industrial Evangelism"

Mr. Leitch knows how to handle words; indeed, one is inclined to wonder whether his industrial democracy is not too largely a matter of phrases. "The underlying principle of Industrial Democracy is the *square deal.*" "The object of Industrial Democracy is to gain a collective human interest." He won the workers of the Packard Piano Company with the slogan: "If there is no harmony in the factory, there will be none in the piano." He gets results, it would seem, chiefly through teaching the workers the true meaning of "Justice, Cooperation, Economy, Energy, and Service." Mr. Leitch has been called the "industrial evangelist," and his message of good cheer is addressed to a world weary of industrial strife. With his recital of accomplishments, he gives the impression that the day of miracles is still with us. The book must have proved convincing, since there were forty-three firms using the Leitch plan in 1922 as against ten in 1919. But its popularity soon waned, both absolutely and relatively, and by 1926 the plan had been retained by only twenty-seven concerns.

Contributions from University Presses

Two of the best all-round treatises on employee representation are university publications. They are *Workmen's Representation in Industrial Government,*[10] by Earl J. Miller, and *The Shop Committee in the United States,*[11] by Carroll E. French. They have a great deal in common. Both trace the development of the movement, give information about types and organization, show the

[10] *Workmen's Representation in Industrial Government,* by Earl J. Miller. Urbana, Ill.: University of Illinois Studies in the Social Sciences, Vol. x, Nos. 3 and 4, Sept.-Dec., 1922, pp. 182.

[11] *The Shop Committee in the United States,* by Carroll E. French. Johns Hopkins University Studies in Historical and Political Science, Series XLI, No. 2. Baltimore: The Johns Hopkins Press, 1923, pp. 109.

effects of representation in selected cases, and discuss the attitude of trade unions. But there are differences in emphasis, and more particularly in interpretation.

Important Chapters in Miller's Book

Mr. Miller's book is the larger of the two, mainly because of its wealth of illustrative material. His inquiry, too, is somewhat more extensive than Mr. French's. He has included, for example, an exceptionally good chapter on the history of representation in England, Germany, Austria, Norway, and Czechoslovakia. Another excellent bit of work is his analysis of numerous cases handled by shop committees. The chapter on "Union Joint Councils in the United States" (a phase of the subject neglected by most writers) shows that, before the advent of non-union employee representation, industrial democracy was fostered through *trade-union* councils of various types, whose functions were to draw up trade agreements, solve jointly any trade problems that might arise and adjust differences developing between local parties to the national trade agreements. Mr. Miller believes that these union joint councils have been greatly underrated.

French's Advocacy of Non-Union Plans

Covering the same general field, and using, necessarily many of the same data, Messrs. Miller and French are led to a striking conflict of opinion on one important point. This is the perplexing question of union versus non-union representation. Mr. French is clearly more thoroughly convinced of the virtues of non-union shop committees than is Mr. Miller. Though he agrees that trade-union antagonism to non-union plans is soundly based, he recommends a modification of the present union policy of pitched battle. The continuous existence of a shop committee is an evidence that it works successfully,

he says. "The establishment of shop committees in fields impossible for the union to organize should be encouraged. With existing shop-committee systems, the unions should strive for a working arrangement, and above all for the sympathy both of the men and the employers." "The shop committee may eventually prove to be an ally of the trade union," is his conclusion.[12]

Miller's Plan for Collective Bargaining

Mr. Miller, on the contrary, sees in non-union representation a menace to genuine collective bargaining. He has found that "many of the non-union councils are organized, either to avoid dealing with existing unions, or to prevent the union organizations from getting in." Admitting that non-union representation has brought gains to workers in many plants, he holds that the gains "must be purchased at the expense of retrogression in methods of collective bargaining." There is need for "an organization sufficiently broad in scope to attack industry-wide problems. For example, no local union can hope to obtain substantial improvements in the economic status of its members so long as low wages, long hours, and adverse working conditions prevail in any substantial portion of the industry." The possibility of union-management cooperation has been demonstrated, says Mr. Miller, by the works council movement in England, and by the good results in the printing and electrical trades in the United States.[13]

The Russell Sage Foundation Studies

Though Mr. French and Mr. Miller finally arrive at fairly definite conclusions, they give every indication of

[12] Mr. French's argument is stated fully on pages 103 and 104 of *The Shop Committee in the United States.*

[13] See *Workmen's Representation in Industrial Government,* pp. 159–72.

having approached their task without bias. Their books are, of course, the more valuable on that account.

This same spirit of impartial inquiry is evident in three studies of employee representation sponsored by the Russell Sage Foundation.[14] They were undertaken with the thought of learning to what extent certain much-discussed plans of employee representation were fulfilling their stated mission. Ben M. Selekman was chosen to conduct the investigations. His method, in brief, was to spend in the field as much time as seemed necessary, interviewing workers, company officials both great and small, and disinterested citizens. He inspected working and living conditions, and examined minutes of meetings and other important records. His preliminary reports were submitted to champions and opponents of representation, and criticisms were invited. Every disputed point was reexamined, and in two of the three studies Miss Van Kleeck, Director of Industrial Studies of the Russell Sage Foundation, made field inspections which "confirmed the essential facts upon which Mr. Selekman's report was based." In view of the pains taken to ensure accuracy, it seems doubtful whether a fairer picture of actual conditions could be obtained.

The "Rockefeller Plan"

Two of these studies relate to the "Industrial Representation Plan" of the Colorado Fuel and Iron Company, one of the earliest examples of employee representation, and one that served as a pattern for a number of shop committees that were later established in other industries. The Colorado Fuel and Iron Company operates

[14] *Employes' Representation in Coal Mines,* by Ben M. Selekman and Mary Van Kleeck. New York: Russell Sage Foundation, 1924, pp. 454. *Employes' Representation in Steel Works,* by Ben M. Selekman. New York: Russell Sage Foundation, 1924, pp. 293. *Sharing Management with the Workers,* by Ben M. Selekman. New York: Russell Sage Foundation, 1924, pp. 142.

both coal mines and steel works, and separate volumes have been devoted to these two phases of its business. The "Rockefeller Plan" (as it is often called because of the younger Mr. Rockefeller's interest in it) was installed in the coal mines in 1915, following a strike which was fought mainly in the hope of winning recognition of the union. This bitter and bloody conflict had ended disastrously for the miners, and Mr. Rockefeller looked to industrial representation to bring about "a permanent condition of peace."

Representation in Coal Mines

Mr. Selekman spent more than five months in Colorado studying the situation, and the result is a good-sized volume that includes a historical sketch, a description of coal-mining as an occupation, an analysis of the Rockefeller Plan with a record of its practical application, and an account of trade-union activities in the Colorado mines. He found that industrial representation has brought better living conditions and better relationships between management and miners, but believes that these changes are due primarily to the initiative of management. He discovered that the employees were not making use of the plan for the presentation of grievances. Since the company pays the same wages as its competitors in the unionized fields, the miners feel that they are benefiting by the hard-fought battles of the United Mine Workers of America, and they resent this fact. Mr. Selekman reports that "a continuous conflict is in existence in Colorado between employee representation and trade unionism, which must be wisely dealt with before any plan can be made to work satisfactorily." The critical labor relations in Colorado mines today, four years later, show that the struggle is still on, and that Mr. Selekman was justified in pronouncing the Rockefeller Plan "an incomplete experiment," which had not yet be-

come "an 'industrial constitution' for the company or for the industry, or a partnership for labor."

Representation in Steel Works

Industrial representation was set up in the Minnequa Steel Works of the Colorado Fuel and Iron Company, on May 6, 1916. There had been no strike and no demand for representation; and yet nearly three-fourths of the workers taking part in a secret ballot favored the introduction of the plan. *Employes' Representation in Steel Works* is almost identical in treatment with *Employes' Representation in Coal Mines.* But it is a more encouraging book, for Mr. Selekman finds in industrial representation in the steel works less to criticize and more that he can approve. The steel workers have been much more successful than the miners in getting results through their committees. They worked for a shorter working day and eventually won an *actual* eight-hour day and not merely the basic eight hours granted by the United States Steel Corporation. They took seriously the company's promise of wages conforming to those paid by competitors, sent an investigating committee to eastern plants, and secured revision of certain wage rates. Through their committees, they have brought about improvements in working conditions; and by exercising their right to review suspensions and discharges, they have attained greater security in their jobs. On the other hand, the workers complain that foremen and superintendents do not cooperate as fully as they should in the adjustment of grievances, and that the employees' representatives are not always consulted before important changes are made. The chief criticism, however, relates to wage standards. Since wages of the Minnequa workers are made to conform to those of the United States Steel Corporation, where there is not even a pretense of collective bargaining, "the scope of their repre-

sentation does not give them an effective share in determining their own earnings, and none whatever in determining those of their fellow-workers in the steel industry at large." Mr. Selekman regards this as a very serious defect in a representation plan which, in other respects, has proved useful to both employer and employees. An excellent synopsis precedes the detailed study, and will be welcomed by the reader who is pressed for time. This commendable feature is also included in Mr. Selekman's report of representation in coal mines.

"Partnership Plan" of the Dutchess Bleachery

Sharing Management with the Workers is the story of the Partnership Plan of the Dutchess Bleachery, of Wappingers Falls, New York. Though this is one of the largest mills of its kind in the country, it employs only about six hundred workers, most of whom are unskilled, receive low wages, and have small hope of advancement. They live in company houses which, up to a few years ago, were in very bad shape, and there was no provision for pure water or decent sanitation. These are but a few of the difficulties that confronted the management in attempting to establish a program of general improvement; one of the most serious obstacles was a reputation for harsh discipline, built up over a half-century or more by the former owners of the plant.

Example of a Successful Plan

An unusual feature of this plan is worker representation on the Board of Directors. The community of Wappingers Falls, also, is represented by a director, so that but three of the five members of this Board have as their chief concern the interests of the management. Profit-sharing is provided for; the company books are open, and the employees are kept informed about the business at all times. Mr. Selekman's investigation convinced him

that the workers had entered wholeheartedly into the venture, which has achieved almost phenomenal results. The gains to the workers include not only a virtual reconstruction of community life and vastly improved living conditions, but the prompt adjustment of grievances, health and unemployment insurance, a short vacation with pay, a share in the profits, and so on. Mr. Selekman regards this plan as "one of the most advanced, most sincere, and most comprehensive schemes of industrial relations introduced into industry on the initiative of the employers. Moreover, it brings to light the absentee landlord in a new role—that of promoting a democratic relationship among the various branches of an enterprise."

A General Work by a Practical Expert

Another firm believer in this plan is James Myers, who is (or was) Executive Secretary of the Board of Operatives at the Dutchess Bleachery. Mr. Myers's book, *Representative Government in Industry,*[15] is not limited to any single example of employee representation, though naturally he draws heavily upon his first-hand experience. He begins with a discussion of industrial relations under modern economic conditions, the mental reactions of the worker, economic inequality, and the effects of these factors upon industrial strife. He believes in self-determination in industry, and insists that there is no such thing as sincere industrial democracy without *"a willingness to recognize the union if the workers request it."* He goes further, and charges that all "open shop" industrial democracy plans *do* discriminate against the unions (even though union men are hired), since they refuse to deal with the union workers as such; and he notes that 95 per cent. of the employee representation plans are in

[15] *Representative Government in Industry,* by James Myers. New York: George H. Doran Co., 1924, pp. 249.

open shop establishments. He holds that industrial democracy is not complete without some form of additional compensation or profit sharing. Finally, he emphasizes the need of full publicity, which would include allowing employees to visit committee meetings and the posting of minutes showing how each representative voted on every measure considered.

These comments give some slight idea of Mr. Myers's views, reached after long association with committees operating a successful plan. However, they do not indicate at all adequately the immense practical value of his book. It is fairly crammed with illustrations of how to run and how not to run an employee representation plan. There are separate chapters on the technique of representation, profit-sharing, and other important subjects. And, pleasant to relate, it is a book that reads well, and can be relied upon to hold one's interest to the end.

The Technique of Representation

The most recent work on the technical side of the movement is *Employee Representation,*[16] by Ernest R. Burton. Like most writers on this subject, Mr. Burton first sketches the development of the shop committee from its small beginnings. He then outlines the causes of conflict between management and workers, and describes briefly the motives of management in installing employee representation. Fully half of the book is devoted to concrete problems that arise in connection with the organization and administration of a scheme of this kind. Mr. Burton's broad knowledge of this subject enables him to make observations that should aid greatly in installing a system of representation and keeping it in good working order. Whether the workers shall be permitted a full-time, paid representative; whether there should be sep-

[16] *Employee Representation,* by Ernest R. Burton. Baltimore: Williams and Wilkins Co., 1926, pp. 283.

arate or joint conferences, or both; the relative merits of individual and unit voting; provisions for appeals from decisions—these are some of the puzzling questions on which he offers advice, based on successes and failures of the past decade.

Mr. Burton on Arbitration

There are a dozen interesting pages dealing with arbitration; and, in view of the fact that so many managers advocate final settlement of disputes in this way, it is somewhat surprising that Mr. Burton questions the wisdom of including a general arbitration clause. He concedes that specific problems might be arbitrated by mutual consent; but "except in the case of a public business, where the arbitration may be regarded as expressing the will of the community of consumers, it is doubtful whether the administrative heads of an enterprise ought ever to relinquish to an arbitrator, unless compelled by law to do so, their obligation to negotiate such questions [as those involving expenditure of money by the company] with the employees for the owners." If employee representation does remove hope of effective collective bargaining, as many students of labor believe, and if it is not to be fully equipped with machinery for arbitration, it is little wonder that the American Federation of Labor regards the works council movement as an anti-labor move, likely to destroy all chance of securing "fair" treatment. Unquestionably, great gains in wages, hours, and working conditions have gone hand in hand with employee representation, as Mr. Burton says; but he does not explain how a works council plan, without arbitration, could secure for the workers even the fairest of demands, if the employer should prove balky. But, then, this is essentially a book of practical application, written from the employer's side of the proposition.

A Search for Industrial Democracy

The social point of view is taken by W. Jett Lauck, in his *Political and Industrial Democracy,*[17] in which he seeks to appraise employee representation according to standards of democracy. An interesting preliminary to the task is a collection of post-war criticisms of industrial autocracy, as expressed by church organizations, business men, labor leaders, and others. Mr. Lauck then gives a first-rate summary of twenty-two of the better known representation plans, and proceeds to test them by certain "standards of industrial democracy" that he has formulated. No business unit is truly democratic, he says, which does not permit collective bargaining and cooperation under a "definite, independent, basic organization of employees with distinct activities and resources"; which does not have democratic wage standards (that is, a minimum wage sufficiently high to buy a comfortable living, with certain differentials above the minimum); which does not provide for participation in profits, employee stock-ownership, and employee representation on the Board of Directors; and which does not strive for "the elimination of the autocratic domination of the so-called investment banker."

"Torchbearers of Industrial Democracy"

As might be expected, the organizations that measure up to these standards are very few. There are five firms that are grouped together as "torchbearers of industrial democracy." William Filene's Sons, the Dutchess Bleachery, the Dennison Manufacturing Company, the A. Nash Company, and the Philadelphia Rapid Transit Company have plans which "stand out above all others as indicating a sincerity of purpose and as offering a

[17] *Political and Industrial Democracy,* by W. Jett Lauck. New York: Funk and Wagnalls Co., 1926, pp. 374.

basis for future constructive action." The Mitten Plan of the Philadelphia Rapid Transit Company comes in for particularly high praise. It meets all requirements but that of strict union organization, and Mr. Mitten has agreed to unionization whenever two-thirds of his workers request it. Though there are so few genuinely democratic plans, Mr. Lauck is hopeful of the future: "The discovery of the theoretical worthiness of even one plan in itself gives assurance of the possibility of the general realization of industrial democracy in the coming years."

An Attack on Company Unionism

Organized labor's case against employee representation is presented by Robert W. Dunn, in a small book entitled *Company Unions.*[18] This is admittedly an attack, and a most violent one, on all non-union forms of industrial representation; for "a company union is what the employers usually designate as a works council, a works committee, an employee representation plan, an employee conference, or an industrial assembly." Mr. Dunn asserts that representation plans are often forced upon the workers, and refers specifically to the introduction of employee representation in the New York, New Haven and Hartford Railway, through the agency of the Sherman Service, Inc., "industrial spy concern." He describes the "yellow dog" feature, requiring the workers to agree in writing "not to join or affiliate with any other organization, association, or trade union covering the same line of work." He states that, despite promises of "no discrimination," hundreds of workers have been "laid off, demoted, and otherwise victimized" by company unions because of trade-union activities. The company union, he says, is not really a union at all; it does not permit genuine collective bargaining, since there is

[18] *Company Unions,* by Robert W. Dunn. New York: Vanguard Press, 1927, pp. 206.

no "strike power"; it does not allow independent outside representatives for the workers, and even forbids affiliations with other company-unionized plants of the same company.

A One-Sided Treatment

The book consists largely of descriptions of specific plans now operating in important business concerns, with a running accompaniment of denunciation. Much of the criticism is undoubtedly deserved. It is unfortunate, however, that Mr. Dunn should make little or no effort to give credit where credit is due. Some of the most advanced and most satisfactory instances of employee representation are omitted entirely; for example, the Baltimore and Ohio, Filene, and Philadelphia Rapid Transit plans. To those who know of these instances, the fact that they are neglected will appear as a weakness in Mr. Dunn's case. Nevertheless, he doubtless considers this omission wholly justified, for in the battle in which he is engaged no quarter is to be given. He is convinced that no good can come out of employee representation, and he is prepared for a fight to the death. This spirit is evident throughout the book, and is emphasized in the concluding paragraph: "Every energy and force possessed by the American trade union movement is demanded in the campaign to destroy [the company union]. Before the trade union movement can afford to become 'constructive' it must attend to this necessary task of destruction."

Books Yet to Come

For the present, Mr. Dunn has had the last word on employee representation.[19] But there will soon be fur-

[19] *Labor Relations,* by Herbert Feis, made its appearance since the publication of this review article. Professor Feis's book has received attention in Chapter V of the present work.

ther volumes on the subject. A new book to be issued by the National Industrial Conference Board has already been mentioned. The Russell Sage Foundation has conducted investigations, not yet published, of the works councils of the Rock Island Arsenal and the Filene Cooperative Plan. These reports will be a welcome addition to the slowly accumulating body of reliable facts relating to actual achievements through representation. There is need for more studies of this kind, and for further exact data on concrete gains, such as the figures presented by Mr. Leitch. If representation is to be adopted more widely by employers, they must be convinced that it will pay; and if employees are to lend their efforts to making it function properly, they, too, must be shown that it will be to their advantage. Hence the demand for more light on the results of the movement. The technical side of employee representation has received its full share of attention; indeed, it has been dealt with so often that considerable repetition has resulted. Finally, there seems to be room for a general work, which shall tell simply, concisely, and impartially what employee representation has succeeded in doing, where it stands today, and what may reasonably be expected of it in the future. There is no single volume to which one may turn for a satisfactory treatment of these points.

CHAPTER IX

UNION-MANAGEMENT COOPERATION

Ever since the declaration of hostilities in the Annual Convention of 1919, the officials of the American Federation of Labor have been unsparing in their denunciation of employee representation. They have done their utmost to bring about the defeat of the movement, by subjecting it to ridicule, by urging unionists to refrain from shop committee activities, and occasionally by use of the strike. But these acts of enmity do not mean that trade unionism is opposed to the principle of consultation, which is the basic principle of employee representation. They are directed wholly at the non-union nature of shop committee plans, which has always appeared to the unionists to be a menace to the workers as individuals, and to the regular labor organizations.

Union Endorsements of Principle of Consultation

The willingness of the unions to adopt the method of consultation was indicated by the national union officials as early as 1918, when the Executive Council of the Federation of Labor announced its approval of an arrangement by which, in all large, permanent shops, "a committee of the workers would regularly meet with the shop management to confer over matters of production" and "carry beyond the foreman and the superintendent, to the general manager or to the president, any important grievance which the workers may have with reference to wages, hours and conditions." Matthew Woll, a vice-

president of the Federation, has publicly recognized the desirability of conference "as a method of considering problems of production with the shop management, to secure team work, to adjust conflicts, and, if need be, to take up all shop questions with the highest officials of the plant. The trade unions fully recognize that there are many questions closely affecting daily life and comfort in the success of business, and—in no small degree—efficiency in production, which are peculiar to the individual workshop and factory."[1] Mr. Gompers hoped for a trade unionism which, in addition to protecting the interests of the workers, should be free to develop constructive functions through conferences with management,[2] and his successor, President Green, has repeatedly expressed the view that trade unionism "is now in a period when its leaders must seek the conference room, and there, by exposition and demonstration, convince conferees of the justice and wisdom of Labor's position."[3]

Union Cooperation Dependent upon Union Recognition

These endorsements of the principle of consultation have been accompanied by an acceptance of the right of employers to control, direct, and manage industry, and of bondholders and stockholders to receive a fair return on the capital that they have invested in the industrial process. Moreover, the principle of mutuality of interests has been expounded as often and as vigorously by union leaders as by the most ardent advocates of the shop committee, in so far as that principle applies to attaining the greatest possible production. Labor leaders seem never to tire of explaining that higher standards of living for the workers must come, in the main, through an

[1] *Annals of the American Academy of Political and Social Science,* September, 1920, p. 14.

[2] Samuel Gompers, *Seventy Years of Life and Labor,* Vol. II, p. 25. New York: E. P. Dutton and Co., 1925.

[3] *Modern Trade Unionism,* pp. 13–4.

increase in production and a decrease in unit costs. It would seem, then, that unionism accepts as inevitable an industrial system in which capital, labor, and management are essential to production; understands that these three factors must cooperate if production is to be efficient and remunerative to all; and is willing and anxious to do its full part in bringing about the success of the common undertaking.

There is one proviso, however, upon which organized labor insists. This is that the workers must be granted the right to organize into unions and bargain collectively in such fundamental matters as wages, hours, and conditions, through paid outside representatives of their own choosing. On this point the trade unionists are definite and firm. They will have nothing to do with non-union representation, except to fight it. While openly renouncing the old theory that the interests of capital and labor are necessarily and permanently in conflict, they contend that they cannot be certain of having an effective part in determining the conditions of work, and a fair share in the division of the product, unless they are protected by union organizations that are strictly within their own control. Non-union shop committees are devised and established by the employers, and are regarded by the unionists as being definitely representative of the employers' interests. Trade unions, on the other hand, are planned and promoted by the workers themselves, and are in every way representative of the will of the workers. They are essential, from the point of view of the trade unionists, to bring about that approximate equality of economic power which is a prerequisite to genuine collective bargaining. Shop committees, then, are excellent devices for drawing management and workers together in friendly consultation and securing the benefits of cooperation, but they must be built upon a trade union basis if the union workers are to take part in their operation.

Essentials of Industrial Peace

There are several reasons, advanced by labor leaders, for regarding recognition of the union as indispensable to genuine cooperation between management and workers. The first is that such recognition would immediately obviate a large amount of industrial conflict which otherwise is apparently unavoidable. Unless and until shop committees are put on a union basis, they are bound to have the active hostility of the trade unions. This hostility will take the various forms of opposition to non-union representation that have already been described. Union organizers will continue their efforts to build up unions in non-union plants, and when the time seems ripe for action there will be strikes for recognition of the union. The history of labor in the United States shows that some of the bitterest and costliest strikes that we have had were fought in the hope of winning the right to bargain collectively. If the employers, in order to enjoy the benefits of cooperation between union workers and themselves, were to accept trade unionism as a fundamental feature of industry, this acceptance would in itself remove one important cause of industrial strife.

A second reason for thinking of union recognition as essential to successful cooperation is that so long as the workers are occupied largely with establishing on a sound basis their right to exist as a union, they can spare little if any time for constructive endeavors. If collective bargaining were taken for granted in this country "as if it were part of the order of nature," as competent authorities assure us that it is in England, the unions would be relieved of the necessity of devoting so much time to agitation and organization, and could settle down to cooperating with management in getting out greater and better production. The American Federation of Labor regards preparedness for industrial warfare as wasteful and distinctly undesirable, but also as inevitable until

recognition of the union is much more general than at present. This recognition is important, in the third place, because with a strong union to protect their interests in case of necessity the workers enjoy a sense of security, and with their status duly attested by the employer they develop greater confidence in his good intentions, and a willingness to take part in constructive projects. In short, a condition of industrial peace must be attained before constructive cooperation can be hoped for.

The Need for Mutual Confidence

If there is to be cooperation between management and workers, it is essential not only that the employer treat his employees justly, but that the employees be persuaded that justice is really being done. The suspicion engendered by the introduction of scientific management methods is evidence that the workers will not believe that they are receiving fair treatment, so long as their conditions of employment are determined solely by the employer or by efficiency experts in the employer's pay. Time and again, employees have shown that they will question that they are really getting a square deal unless, through some form of effective representation, they have a part in determining the terms under which they are to work. They have rejected employee representation in many cases simply because they have refused to believe that this type of representation has been or can be genuinely effective, unless it is backed by a strong national union. The unionists demand, therefore, that the shop committee shall be a supplement to and not a substitute for trade unionism. Granted this one point, the American Federation of Labor pledges itself to a policy of thorough-going cooperation. The published statement of President Green is worthy of reproduction. It reads as follows: "Partnership, as Mr. Rockefeller very truly says, must be the basis of constructive relations between employers and

employed. The essence of partnership is mutuality of confidence, responsibilities and duties. Either member of the partnership may be handicapped in what he may do by shortcomings of the other. So the trade union movement is prevented from rendering maximum service when employers do not enter into agreements with union representatives so that there may be clearly defined rights and conditions of employment which beget confidence, safeguarded by an agency controlled solely by the workers. Upon such a foundation may be developed the technique and agencies of cooperation. Employers reserve the right to decide management policies, and so long as they refuse to negotiate with unions, unions are forced to militant tactics. So long as management refuses workers a right to a voice in deciding conditions of work through their own representatives, workers are forced to protect themselves against unfair impositions as best they can and the spirit of retaliation is fostered. The 'worthiest traditions' of trade unionism find expression only when employers contribute to the development of conditions which make them possible. The American Federation of Labor has declared that the materials of increased productivity are essential to sustained increases in standards of living and that the union holds itself ready to do its part in working out better methods and plans for production. Where employers are ready to make cooperation possible, trade unionists are ready to do their part."[4]

Organized Labor's Willingness to Cooperate

There are many persons who take the view that the spirit of conflict is inherent in unionism, and that, on this account, dealings with trade unions should be avoided by employers almost at any cost, and encouragement of unionism by the public should be frowned upon. This

[4] *American Federationist*, May, 1927, pp. 529–30.

view is often the result of hearing or reading about strikes, and assuming, without knowing all of the facts, that the employer is being misused by an unreasonable group of unionists. We have already noted that workers on strike are almost certain to be regarded as the aggressors; and this would be the case even if the conditions against which they struck were altogether unbearable. There seems, on the whole, to be little justification for this view. A. Lincoln Filene, the well-known Boston merchant, is one of many business men who believe that, accorded proper treatment, labor is willing to be reasonable and to cooperate with management. Mr. Filene's statement, in this connection, is as follows: "Labor, I am convinced, would not refuse in the main to compose any matter in dispute with management; any matter whatever—even its opportunity for unusual gain at an especially favorable turn of conditions, if labor were (1) taken into confidence with management from the start of things and permitted a clear understanding of management problems; and (2) if labor were given a real part in carrying out, jointly and in full cooperation with management, any plan suggested for the benefit of both."[5]

Some employers who concede that workers under non-union representation are fair and cooperative, are fearful that their attitude would change if they were strongly unionized, and that they would be arrogant and arbitrary if not restrained by the overwhelming economic superiority of their employers. This is an attitude which does not appear to be supported by the facts. The works councils in England have not been an unqualified success, but, according to the best authorities, they have "worked well" in industries in which the conditions were favorable and "have given birth to a new conception of what the cooperative regulation of industry may be." In the United States there has been smaller opportunity to put

[5] A. Lincoln Filene, *A Merchant's Horizon*, p. 227. Boston; Houghton Mifflin Co., 1924.

to the test the unions' willingness to work cooperatively with management. But the results which, for years, have been realized in the clothing, printing, stove-making, glass bottle, and other trades, through working agreements between management and unions, are sufficient answer to those who say that labor will be reasonable only when it is ruled by an iron hand.

Possibility of Employee Representation on Union Basis

What the friends of industrial peace are hoping for is a general realization of the fact that the shop committee plan of consultation is not in any real sense incompatible with trade unionism. The conditions of its introduction and development in American industry, and the hostility of employers in this country toward unionism, have made it seem that employee representation and trade unionism are separate and necessarily conflicting movements which cannot be anything but antagonistic. So long as employers refuse to grant recognition of the unions, this view is doubtless correct, since the union workers will not accept the shop committee under any other condition. But if this single concession were made, there is every reason to believe that the shop committee and union could work together in peace in this country as well as in England. The shop committee has many points of excellence; the close, continuous contact with shop conditions which it provides is decidedly worth while, and cannot be discarded without loss. On the other hand, there are phases of industrial relations which lie outside the scope of the shop committee, and must be dealt with on a district or national basis. Here, then, is work for trade or industrial unions. The report of President Wilson's Second Industrial Conference spoke of the success of unions in dealing with "basic working conditions, and with the general level of wages in organized and partially organized industries and crafts"; and at the

same time emphasized the need for shop committees to take care of local problems, since "no organization covering the whole trade and unfamiliar with special local conditions and the questions that come up from day to day is by itself in a position to deal with these questions adequately, or to enlist the cooperation of employer and employee in methods to improve production and to reduce strain." Mr. Lewisohn believes that the principles underlying unionism and employee representation are "not necessarily incompatible or antagonistic. Like two streams starting from different sources and merging, these two principles often converge, and in such cases we have a most satisfactory solution."[6] Mr. Tead feels that there is room for both types of organization. "Functionally viewed," he says, "the shop committee has its area of jurisdiction and the labor union has its area of jurisdiction. And they are complementary and not opposed."[7] Such economists as Professors Seager, Douglas, and Slichter advocate a combination of shop committee and trade union, assigning to each those functions which it is best fitted to perform.

Professor Seager says, in this connection: "The hope of the future is that the employer actuated by good-will and desiring to make the employment relation a real copartnership in industry will become the predominant type, and that under his leadership practicable plans will be devised for combining national unions dealing with the problems of general concern to all wage-earners in the industry with company unions or shop committees for the settlement of local problems."[8] As we have noted so many times, the employers are less favorably disposed toward this sort of arrangement than are the unions and the public. But James Myers, who for some years was Secretary of the Board of Operatives of

[6] Lewisohn, p. 121.

[7] *New Tactics in Social Conflict*, p. 117.

[8] *American Economic Review*, March, 1923, p. 12.

the Dutchess Bleachery, states that his personal investigations have shown that there are a number of employers who feel that the works council should not interfere in any way with the development of trade unions, and are willing to recognize and deal with organized workers separately, whenever the workers so desire.[9] Professor Slichter suggests that the unions' demonstrated desire and ability to aid management—of which we shall examine specific instances presently—is bound to raise anew the question of union recognition. "Public opinion in this country has been tolerant of the employer who refused to deal with organized labor, because the man in the street, rightly or wrongly, has felt that unions took insufficient interest in production and were too disposed to practice restrictive policies. If it now appears that unions are both able and willing to render substantial assistance to management in increasing output and reducing costs, the open shop employers of the country are likely to be faced with an ever more insistent demand that they recognize unions and accept their offer of cooperation."[10] If Professor Slichter's prediction comes true, and employers are induced to concede the right of collective bargaining, it is probable that a rapid extension of cooperation between management and employees will follow, since the unionists profess that the only obstacle remaining in the way is the failure of employers to accept the principle of unionism.

The Baltimore and Ohio Plan of Union-Management Cooperation

"Union-management cooperation" is the name given to constructive joint operation under union conditions. The outstanding example of union-management cooperation, and one which has been written about

[9] Myers, p. 86.

[10] *Bulletin of the Taylor Society*, February, 1926, p. 3.

widely, is to be found in the car and locomotive shops of the Baltimore and Ohio Railroad, and is known popularly as the "B. and O. Plan." An understanding of this plan will make clear the type of representation that is approved by trade unionists, for the American Federation of Labor has officially endorsed union-management cooperation as practiced in the Baltimore and Ohio shops, and in other plants which we shall mention. Otto S. Beyer, Jr., under whose supervision the B. and O. plan was instituted and developed, has written numerous articles on the subject, and from his writings and those of others who have observed the workings of the plan at first hand, it is possible to learn a good deal about the theory and practice of union-management cooperation.[11]

We discover, then, that the idea of union-management cooperation in the railway industry goes back to the days of federal control. The Director General of Railways at that time considered favorably a proposal made by the railway employees, that cooperative arrangements be entered into between the standard railroad labor unions and the United States Railroad Administration. However, problems that arose in connection with returning the railroads to private ownership interfered with the project, and it was not until the spring of 1922 that definite progress was made. At that time Daniel Wil-

[11] Readers particularly interested in this phase of labor relations should see the "selected bibliography" of *Union-Management Cooperation,* published by the Government Printing Office, Washington, 1927, in which are listed something like a hundred references on this subject. The files of the *American Federationist,* for the past five years, contain much material. The February, 1926, issue of the *Bulletin of the Taylor Society* contains a symposium on union-management cooperation. Of particular interest and value are several pamphlets published by the American Federation of Labor: "The Cooperative Policy of the Railway Employees Department"; "Recent Extension of Collective Bargaining," by B. M. Jewell, president of that department; and "Railroad Union-Management Cooperation," by O. S. Beyer, Jr., consulting engineer, who has been identified with the B. and O. plan since its inception.

lard, President of the Baltimore and Ohio Railroad, agreed with President William H. Johnston, of the International Association of Machinists, and Otto S. Beyer, Jr., a consulting engineer, to give union-management cooperation a trial in one of the Baltimore and Ohio shops. Again there was a delay, due this time to the railway strike of 1922. But after the strike was settled, discussion of cooperation was renewed, and arrangements were made to give the plan a trial at the Glenwood shops, located near Pittsburgh. The experiment was actually begun early in 1923, and after it had continued for a trifle longer than a year, it was decided to extend the plan to all of the principal shops of the Baltimore and Ohio system. Consequently, on February 25, 1924, an agreement was entered into which provided for the appointment of Cooperative Committees in forty-five shops. The success of the plan has resulted in the adoption of union-management cooperation on several other great railroads, including the Chicago and Northwestern, the Chicago, Milwaukee and St. Paul, the Chesapeake and Ohio, and the Canadian National Railways.[12]

Organization of Railroad Repair Shops

A large locomotive repair shop is divided into many major departments, and several auxiliary departments. The personnel consists of workers of various types, skilled and unskilled. The skilled workers may be classified along distinct craft lines, and include machinists, boilermakers, blacksmiths, sheetmetal workers, carmen, electricians, and firemen and oilers. For each of these seven crafts there is a *local lodge,* which is in turn a part of an international union, and affiliated with the American Federation of Labor. Each individual lodge elects its own officers and various committees. One of the most

12 These items of historical development are largely from *The Cooperative Policy of the Railway Employees Department.*

important of these committees is one commissioned to look after the interests of the men in the shop in their relations with the management. Frequently the lodge president is chosen chairman of this particularly important committee. "It is thus that the most active and able men in the local unions are brought forward and thrust into positions of responsibility in respect to the affairs of their constituents, both as union men and as shop employees. . . . So that where unions exist and function and where they are accorded the recognition necessary under a program of union-management cooperation, the local union representatives are in position of peculiar importance as far as the general morale of the shop as a whole is concerned."[13] Every local lodge is affiliated with three other bodies. The first is the *local shop federation,* which consists of representatives from all local lodges in a given shop, and concerns itself with local intercraft problems. It is the highest local representative body of the shopmen, selected by the union workers through their regular organization machinery, and empowered and obligated to confer with the local management on matters of mutual interest. The second affiliated body of which each local lodge is a member is the *district lodge,* or *joint protective board,* to which all local lodges of a single craft in a given district belong. For example, the local machinist lodges of all Baltimore and Ohio shops are banded together into District Lodge 29, International Association of Machinists. These district lodges meet annually to decide upon general craft policies and to elect officers. The chairman of the district is the most important of these officers, particularly as regards the relations of the craft to the railroad management. He represents the interests of the craft over the entire railroad system, with the management, the executive council of the system federation (which will be

[13] This description of shop organization is borrowed from Mr. Beyer's article, *Railroad Union-Management Cooperation.*

described in a moment), and the international headquarters of the craft organization. The third affiliation of the local lodge is with the *system federation* of all the crafts. Between annual conventions, this federation is governed by an executive board, composed of the district craft chairman and the federation president, vice-president, and secretary-treasurer. Ordinarily, this executive board decides questions of importance to the federation, but in matters of particular import it calls together an advisory council, consisting of three representatives of each craft affiliated with the system federation. The system federation meets in annual or biennial convention, for the purpose of passing laws governing the federation, determining general policies, and electing officers. The conventions of the system federation are the highest authority in the affairs of the federated shop crafts. The power of these conventions is complete and final, except for certain restrictions imposed by the Railway Employees' Department of the American Federation of Labor and the several international craft unions affiliated with this department.

Shop Organization as Basis for Cooperation

Mr. Beyer makes a special point of the structure of the shop organizations, emphasizing the fact that all of these bodies grow squarely out of the rank and file, that they coincide with the maintenance of equipment organization of the railroad, and that the various representatives of the shopmen are the product of the shops, yards, and roundhouses of the railroad industry. "In other words, before anyone can become an officer, even in the most unimportant capacity, in these organizations, he must first be a member of one of the local railroad lodges, which means that he must first enjoy employment in railroad service. Not until the organization, administration and functioning of the standard unions of the shop em-

ployees is properly and thoroughly understood, not until the structure of these unions is visualized in the light of the structure of the mechanical department organization of a typical railroad, can the far-reaching possibilities of cooperation between management and the unions be properly comprehended. It is chiefly because this union machinery is ready and at hand, having been so devised, truly democratically, by the shopmen of the railroads, that the opportunity is available to allocate to this comprehensive, firmly established, reliable and deeply rooted organism the added responsibility which genuine union-management cooperation implies.'' [14] The machinery of cooperation is built definitely upon the organization and interrelation of the shopmen's unions. Like non-union employee representation, union-management cooperation provides for frequent conferences between the workers and the management.

The machinery for consultation, under the B. and O. plan, takes two forms. The first is that of regular *joint local meetings,* held at least every two weeks, between the local federated committees of organized shopmen and an equal number of representatives of the shop management. The second provision for consultation consists of *joint system cooperative conferences* between the president and secretary of the system federation and the district chairman of the several crafts, meeting with the head of the railroad's maintenance of equipment department, and his department chiefs and assistants, and representatives of other departments of the railroad. The system cooperative conferences are held regularly every three months, and special meetings are sometimes called to consider the handling of emergencies involving the welfare of the shopmen or the railroad. Unlike the procedure followed in non-union representation, that of union-management cooperation does not permit the discussion of grievances or wages. The regular process of

[14] The same, pp. 13–14.

collective bargaining takes care of these matters now, as in the past.

It is clearly understood that the subjects brought up in the cooperative conferences are to be of a constructive nature, "having in mind that the specific purpose of these meetings is mutual helpfulness and not one of criticism or fault-finding." It has not been found feasible to draw up a list of subjects to be considered in the local meetings and a similar list for the system conferences. Though in general the local conferences confine themselves to local matters, and the system conferences to system matters or local problems which have been referred to them, the procedure to be followed is not hard and fast. The main subject is to call forth new ideas which will result in the introduction of better shop methods or the elimination of waste. These ideas usually originate through daily experiences and observations around the shops, benches, and machines where the men are employed, and are referred by the workers to the local craft committee. Meetings of the local shop committee of each craft are frequently held at noon, and suggestions from the shopmen are often forthcoming at these meetings. The shopmen, who, of course, are union members, also bring their proposals to the local lodge meetings, held in the lodge rooms, where they are considered, and, if endorsed by the lodge, are referred to the proper representative for presentation at the next cooperative meeting. Thus, either by direct contact between committeemen and the union craftsmen, or through local discussion in the local lodge meetings, ideas and suggestions from the rank and file are brought before the joint conferences for discussion and final recommendation. If there has been discussion from the floor in the meetings of the local unions, the union representatives to the joint cooperative conferences receive the full benefit of the experience and judgment of the lodge as a whole. This method of procedure has the fur-

ther advantage of stimulating interest in the lodge meetings. "It is thus that the local lodge, in addition to being an agency for protecting the immediate human welfare of its constituent members, also functions as a technical and advisory organization in the actual operation of the plant in which its members are employed."

Basic Requirements of Union-Management Cooperation

In discussing the theory of union-management cooperation, Mr. Beyer lays down seven basic requirements which must be met before genuine cooperation can be realized. They are as follows:

> "1. Full and cordial recognition of the standard unions as the properly accredited agents to represent railroad employees with management.
> "2. Acceptance by management of the standard unions as helpful, necessary, and constructive in the conduct of the railroad industry.
> "3. Development between unions and management of written agreements governing wages, working conditions, and the prompt and orderly adjustment of disputes.
> "4. Systematic cooperation between unions and management for improved railroad service and elimination of waste.
> "5. Stabilization of employment.
> "6. Measuring, visualizing, and sharing fairly the gains of cooperation.
> "7. Perfection of definite joint union-management administrative machinery to promote cooperative effort." [15]

"Full and cordial recognition of the standard railroad unions" means, of course, that the management must grant, without reservation, the right of the chosen

[15] *Bulletin of the Taylor Society*, February, 1926, p. 7.

representatives of the unions to speak for and bargain in behalf of the workers in their respective groups of railway employees. There must not be any question, under union-management cooperation, of the status of the unions and the right of collective bargaining. The second provision, "acceptance by management of the standard unions as helpful, necessary, and constructive," expresses the desire of the union to be recognized as more than a merely defensive organization—as one capable of aiding in bringing about better railroad service, conserving materials, securing new business, and improving efficiency of operation. The requirement of "written agreements governing wages, working conditions, and the prompt and orderly adjustment of disputes" is an expression of the wish to reduce to formal contracts those items of labor relations which, in the absence of specific, written trade agreements, are likely to give rise to industrial strife. If cooperation is to be complete and successful, the possibility of conflict must be reduced to a minimum.

Analysis of Three "Basic Requirements"

The need for the acceptance of the first, second, and third provisions is explained clearly and interestingly by Mr. Beyer. Since the point is a fundamental one in union-management cooperation, we cannot do better than quote Mr. Beyer's statement verbatim, and at some length.

"The necessity for the first three requirements arises from the fact that before employees can cooperate on a collective basis with management, they must be united in an organization which can give effect to their collective desires and functions. Obviously when the relationship between employees and company is simply on an individual contractual basis, so that wages, conditions of work and hours of employment are strictly a private

matter between each employee and the company, there is little if any basis for organized employee cooperation with management.

"The situation in the case of employees functioning under 'employees' representation' or 'company union' plans is not much better. Such plans either have been brought into being by management or exist by sufferance of management. Employees organized under these plans have had little or no training in overcoming obstacles and do not enjoy the support of affiliated workers and organizations in other industries. Hence, their organizations lack the capacity, experience, discipline, leadership and power of initiative to mobilize the collective faculties of their members to cooperate effectively with management. Their unwillingness or inability to organize themselves independently and win recognition for their independent organizations attests to their basis incapacity to build the very foundation upon which cooperative effort must rest. Furthermore, without independent leadership and without the assurance that their organizations will safeguard for them their share of the gains of cooperation, company union employees can have no confidence in the company union type of organization. They cannot be sufficiently encouraged and will not feel properly inspired to participate enthusiastically in a program of cooperation.

"Thus it is that the requirements of employee organization are not adequately met until the standard unions of the railroad employees are properly recognized by management on the basis of genuine collective bargaining. Where this condition prevails there has come into being an organized relationship between management and employees which has usually been of slow and difficult growth. It has had to justify itself at each step of its development, both to management and to the workers. The roots of its existence go deep into the structure and tradition of the railroad and its personnel. In simple

words, where real collective bargaining exists, it has come to mean a great deal to both railroad officer and employee. It has come to be an integral part of railroad administration." [16]

Constructive Use of Union Machinery

The conditions stipulated in these first three "basic requirements" may be regarded as fundamental to the operation of union-management cooperation, since without them there will be neither the will nor the ability to cooperate effectively. The fourth, fifth, sixth, and seventh requirements are definite objectives which must be attained before union-management cooperation can be considered truly successful. A shortcoming of collective bargaining in the past has been its negative character. Both management and workers, in their joint negotiations, have heretofore had in mind primarily their respective economic interests and the best means of protecting them, rather than the purpose for which economic enterprises should be conducted; namely, service to the public. Consequently, the full possibilities of collective action by employers and employees have seldom been realized. The machinery of collective bargaining ordinarily "comes into play only when employees and management want concessions from one another or when grievances arise," says Mr. Beyer. "Over long periods of time the machinery of collective bargaining is dormant despite its usefulness in settling disputes. This idleness might well be considered a serious loss; its elimination provides the best available opportunity for really effective cooperation between railroad employees and management." [17] The remedy lies in providing constructive work in which the organized workers and management may jointly engage.

[16] The same, p. 7.
[17] The same, p. 7.

Improved railroad service, increased efficiency, elimination of waste, and stabilization of employment, are specific tasks which have been undertaken by union-management cooperation on the Baltimore and Ohio Railroad. It is evident that, if gains are made in all four of these undertakings, the public, the owners, and the employees will benefit. But it is felt that the workers should share in these benefits not only through greater stability of employment, but also through a division of the financial gains. Hence, the need for the sixth provision. The desirability of perfecting "definite joint union-management administrative machinery to promote cooperative effort" is apparent, and requires no comment. The joint local meetings and joint system cooperative conferences are parts of this machinery.

The Handling of Grievances

We have noted that the consideration of grievances is explicitly excluded from the joint conference meetings. Complaints are handled now, as before, by the procedure outlined in the trade agreement for the adjustment of grievances and wages, except that it has been found desirable, in order to insure prompt and orderly settlement of disputes, to make certain improvements in the usual arrangement. The first step in the method followed today, when an appeal is to be made from the decision of an executive, is to draw up a written joint statement of the nature of the grievance, the facts that are agreed upon, the points of disagreement, and the ruling of the local officer whose decision is questioned. The appeal goes directly to the highest officer appointed by the management to handle grievances, if rules or wages are involved. If the case is one of discipline, the appeal is sent first to the superintendent of the area in which the trouble arose and then to the highest officer designated by the railroad. This plan encourages the settlement of

grievances at the points where they arise; and the provision of time limits within which decisions must be rendered prevents delays in reaching a satisfactory adjustment of complaints.[18] A distinct advantage of this arrangement is that it relieves the cooperative committee of the necessity of hearing and ruling on protests, on which there would doubtless be many divisions of opinion; and permits them to concentrate upon matters of a constructive nature, upon which the two groups comprising the committees can agree much more readily. Thus the possibility of discord in the joint conference is minimized.

There is evidence to show that grievances have been reduced materially since the establishment of union-management cooperation. President B. M. Jewell, of the Railway Employees Department of the American Federation of Labor, estimates that "minor grievance cases on the Baltimore and Ohio and the Canadian National [which has also adopted union-management cooperation] have been more than cut in two, and as for appeal cases—those which are not settled locally on the ground where they originate—these have been reduced by approximately 75 per cent. A bit of reflection will quickly reveal why this is a natural result of cooperation. Under cooperation at local points where the foreman and management come in daily actual and direct contact with the men on the job, the emphasis is on getting along with one another and attending to the business of the plant, not on quarreling, fault-finding and pin-pricking."[19] It will be seen that Mr. Jewell's claims for union-management cooperation, in its effect upon the promotion of friendly relations in the plant and a reduction in grievances, are very similar to those often made by employers on behalf of non-union employee representation.

[18] *The Cooperative Policy of the Railway Employees Department*, p. 15.
[19] *Bulletin of the Taylor Society*, February, 1926, p. 24.

Concrete Benefits of Union-Management Cooperation

From 1923 to 1926 more than 2,180 local union-management cooperative meetings were held under the B. and O. plan. In these meetings, over 14,000 proposals of various kinds were handled by the representatives of the shopmen and the local plant management. More than 81 per cent. of the proposals were approved by the joint conferences, and were put into practice. Only 8.5 per cent. were dropped as impracticable. The remainder, at the time these figures were presented, were either under discussion, or, from lack of funds, had not yet been put into operation.[20] The concrete benefits that have resulted from the use of the cooperative method may be dealt with very briefly.

Improvements in Working Conditions and Reduction of Waste

One of the important gains made through union-management cooperation (and also through non-union representation) has been improvements in the working conditions. Questions of safety, sanitation, ventilation and lighting have been discussed at nearly all joint meetings; and in most cases the union and management representatives have reached prompt and satisfactory agreements and have brought about the desired changes without delay. Another benefit of the cooperative plan is a reduction in the waste of materials. When the workers regard the operation of the shop as a joint enterprise, they have an incentive not only to lessen the quantity of materials wasted, but also to exercise greater care in the use of tools and machines, and to aid in the development of better methods of control and issuance of materials and tools. Mr. Beyer cites a striking example of the waste reduction in one shop, where the "material shop

[20] The same, p. 19.

expense" (made up of costs of small tools, lubricants, emery, and so on) was cut from a monthly average of $14.08 per employee to an average of $7.43. He is authority, also, for the statement that the savings effected through the better use of materials and tools have run into hundreds of thousands of dollars.[21]

Stabilization of Employment

A third advantage that has resulted from cooperation is the stabilization of employment, with a consequent increase in the annual incomes of the workers. We have seen, in our examination of trade unionism, that the employees' fear of working themselves out of a job has sometimes led to a smaller output than would be obtained if steady employment were insured. Employment stabilization is largely the outcome of "good management practices, such as scientific forecasting of revenues, budgeting of expenses, doing railroad work by railroad employees, careful planning of maintenance and building projects, providing placement service to transfer employees from points where they are not needed to points where vacancies exist, creating maintenance reserves, retrenching material issues and discontinuing the hiring of new employees when revenues decline, as well as guarding against over-staffing of forces during periods of increasing revenue."[22] The placement service referred to above is illustrated by a transfer which took place several years ago, when some two hundred furloughed car men from the Buffalo, Rochester and Pittsburgh Railroad Company's shops at Dubois, Pennsylvania, were given special work for several months in the Glenwood shop of the Baltimore and Ohio Company near Pittsburgh.[23]

[21] The same, p. 14.
[22] *The Cooperative Policy of the Railway Employees Department*, p. 17.
[23] *American Federationist*, August, 1926, p. 941.

Increase in Incomes of Workers

An evidence of the progress that has been made in respect to stabilization of employment is to be found in the increased wages of the workers. In one year the annual average wage of the employees in the Baltimore and Ohio shops advanced more than $50 over the previous year, and in some shops of the Canadian National Railroad an increase of 10 per cent. or more has been made possible through the steadier employment afforded the workers. The assurance of continuous, permanent work is one of the greatest boons that can be conferred upon a worker. Serious attention to this matter on the part of employers generally would doubtless do much to win the hearty cooperation of their employees.

The cooperative spirit of the B. and O. employees is nowhere better shown than in their efforts to secure traffic for their company. Not only have they recommended the use of their road to their friends and acquaintances, but, with the assistance of the joint cooperative committees, they have organized definite campaigns to urge upon the traveling public and shippers of freight, the advantages of using the Baltimore and Ohio. More lasting in its effects than advertising the road through individual or collective effort is the attempt of workers, under union-management cooperation, to provide the very highest type of service to the public. Certainly the service of the Baltimore and Ohio Railroad has improved immensely of late years; so much so that instead of being the butt of vaudeville jokes the road is now in high favor with the public. Whether this change is due in any large sense to union-management cooperation, it is impossible to say. But Mr. Beyer marshals some very convincing figures which show that, since the adoption of the cooperative plan, the traffic increases of the Baltimore and Ohio Railroad (as indicated by gross income) have been consistently greater than the increases enjoyed by its

competitors in the Eastern District, within which most of the company's traffic originates.[24]

Unsolved Problems of Union-Management Cooperation

Participation by the workers in the financial gains of cooperation is recognized by the management of the Baltimore and Ohio Railroad as right and proper, and the principle of gain-sharing has been incorporated into the preamble to the cooperative agreement in this form: "The welfare of the Baltimore and Ohio Railroad and its employees is dependent on the service which the railroad renders the public. Improvements in this service and economy in operating and maintenance expenses result chiefly from willing cooperation between the railroad management and the voluntary organization of its employees. When the groups responsible for better service and greater efficiency share fairly in the benefits which follow their joint efforts, improvements in the conduct of the railroad are greatly encouraged. The parties to this agreement recognize the foregoing principles and agree to be governed by them in their relations."

But it is often easier to reach an agreement of this kind than to put it into practice. Among the questions that have arisen in connection with gain-sharing are the following: How shall the gains of cooperation be measured? In what proportion shall they be divided? In what form shall the shopmen's share of the gains be distributed; shall it, for example, take the form of a monthly or yearly dividend, or would it be better to grant wage increases from time to time? And so on. For problems of this sort there are no ready-made solutions. Similar problems arise in the functioning of any profit-sharing scheme. An illustration is the John Leitch type of employee representation, which ordinarily provides for an "economy dividend." A fundamental of devices of this

[24] *Bulletin of the Taylor Society*, February, 1926, p. 16.

nature is that the employee must be able to see the relation between his contribution to cooperative gains and the extra income that he enjoys; otherwise, of course, there is no incentive value. Having decided upon the desirability of participation in the savings effected through cooperation, the management and shopmen of the Baltimore and Ohio Railroad, applying the accepted principle of conference on matters of mutual interest, have appointed two joint committees which are seeking to develop a satisfactory procedure for the measurement and distribution of the gains that are realized through union-management cooperation.

Impressions Created by Cooperation on Railroads

It will doubtless require the experience of many years to decide how successful a cooperative arrangement of the B. and O. type is likely to be. But the few years that have elapsed since its introduction indicate that, with the Baltimore and Ohio and Canadian National Railroads, it has not only produced concrete results but has captured the imagination and won the good-will of workers and management. President Jewell claims for union-management cooperation that it is "only a simple step forward" and "not a panacea for all our labor ills." He predicts that it will take a decade or two to create, in most establishments, the proper relationship between the unions and the management. But he also produces evidence that the shopmen are enthusiastic about the accomplishments of the plan thus far, and apparently regard it as being in no way detrimental to them. A "representative gathering" of shopmen of the Baltimore and Ohio Railroad answered with an emphatic "No" a question as to whether the cooperative program had in any way restricted union activities, and another asking whether the new program compelled the employees to work harder and resulted in greater fatigue. The

same workers were positive that there had been steadier work for a greater number of men since the installation of the new system than at any similar period in former years.[25]

The approval of the workers is matched by that of the officials. In a public address, several years ago, President Daniel Willard, of the Baltimore and Ohio Railroad, expressed the opinion that union-management cooperation had more than justified itself:[26]

"I believe that it has now been fully demonstrated that the cooperative plan which the Baltimore and Ohio Railroad has put into effect, in cooperation with its shop employees, and with the support of their respective unions, is no longer an experiment. It has more than justified itself from many different angles. It is now a part of the definitely adopted policy of the Baltimore and Ohio Company, and I have a feeling that we have not yet begun to realize the potential possibilities of the plan. As time goes on and as we develop and cement still further the understanding and relationship which has already grown up between the management and the men, I feel certain that the friendly and sympathetic efforts of both parties will discover and suggest new methods and new practices that will not only make for economy, and thereby enable the railroad to pay good wages and at the same time maintain satisfactory working conditions, but will also contribute towards giving to the public the lower rates for transportation service which they desire, but for which in my opinion they sometimes press with undue and unwise urgency."

Sir Henry Thornton, President of the Canadian National Railroad, has also pronounced himself as definitely in favor of union-management cooperation, which has been in force on his road almost as long as on the

[25] The same, February, 1926, pp. 24–5.

[26] *Address by Daniel Willard at Garrett, Indiana,* a pamphlet, 1924, p. 8.

Baltimore and Ohio. Sir Henry takes the view that "labor unions are here, and they are here to stay," so that the problem is not how to get rid of them, but how to get along with them and benefit from the assistance which they are able to give to management.[27]

Union-Management Cooperation in Other Industries

Though union-management cooperation is known best through its successful operation in the railroad shops, the theory and practice of cooperation between organized labor and management may be found in other industries, and the idea is one which is unquestionably spreading. The "impartial chairman" plan of adjusting disputes in the clothing industry, which rates so high among students of labor relations, is the result of an agreement between the employers and the Amalgamated Clothing Workers of America. A fact which is not so well known is that in 1924, in response to a demand for a general wage reduction, the Amalgamated made proposals which led to the reorganization of shops, the simplification of certain tasks, the elimination of needless operations, and other changes, and resulted in greater savings than could have been realized through a wage cut, and without a reduction in earnings.[28]

In the electrical trades, there is a joint national council which has for its objects (1) the stabilization of the industry by preventing sudden wage changes, (2) the attainment of industrial peace through conference and negotiation, (3) the recognition of the right of workers to organize and to be represented adequately, (4) the strict fulfillment of all agreements, and (5) adequate wages and high productivity.[29]

In the clay industry, the employers and the unions

[27] *Bulletin of the Taylor Society,* February, 1926, pp. 27–8.

[28] Davis, p. 309.

[29] *American Federationist,* February, 1927, p. 180.

in the Chicago District have cooperated in a widespread advertising campaign, and have been able to change the brick-making industry from a seasonal to an all-year occupation. With the aid of the most modern methods and latest machinery, and with wages that are quite satisfactory to the workers, they are producing bricks at prices which are said to be the lowest in America.[30]

In the upholstery business in New York the employers joined with the unions to bring about the stabilization of the wholesale upholstery furniture business. The unions secured the cooperation of the employers in prosecuting a campaign which would unionize the non-union shops, with the result that they more than doubled their membership within three months. The effect of union organization was soon apparent. With standardization of hours and wages, employers have been placed on a genuinely competitive basis, so far as labor costs are concerned. The workers, as well as the better type of employers, have been released from the oppressive conditions imposed by the "fly by night" manufacturers. Wages have been increased and shop conditions improved. The public, too, is said to benefit by "being enabled to purchase upholstered furniture that is worthy of the name." [31]

Notable Instance in Printing Trades

There has also been cooperation in the printing industry. Since 1911, the International Printing Pressmen and Assistants' Union of North America has been working to eliminate waste, and to improve both the quantity and quality of the product. This union has established a technical trade school, with branch schools, for the training of apprentices. It maintains a special service, without charge, for all newspaper publishers having con-

[30] *American Federationist,* January, 1927, p. 37.
[31] *American Federationist,* December, 1926, p. 1453.

tractual relations with the union. This service provides that publishers may send copies of their papers daily to the headquarters at Pressmen's Home, Tennessee, where a corps of three newspaper mechanical experts examine them carefully, mark mechanical defects, and report to the foremen of the respective newspapers. If the defects occur repeatedly, an expert is sent to the newspaper plant in question, where he examines the various departments of the shop, discovers the cause of the defective printing, and proposes remedies. This service, as has been said, is rendered without cost to the publisher. The school also conducts free correspondence courses for apprentices, and an engineering course which is open to all newspaper publishers in the United States and Canada who operate union shops.[32]

Union Conference on Elimination of Industrial Waste

It is not claimed for these examples that they are comparable to those of union-management cooperation on the several railroad systems, either in nature or extent. They are evidence, however, that organized labor is giving more and more thought to problems of production, and is able to take an effective part in arriving at satisfactory solutions. Another indication of the cooperative spirit is the Trade Union Conference on Elimination of Waste in Industry, which was held in Philadelphia in April, 1927. This was the first conference ever called in this country by representatives of union labor, to which employers and engineers have been invited to discuss with the workers problems of industrial waste. At this conference, the Secretary of the Labor College of Philadelphia stated the present attitude of the unionists in these words: "Labor is not satisfied with demands for wages only but is concerned about some control in indus-

[32] *American Federationist,* August, 1925, pp. 658–59; and August, 1926, p. 925.

try; to help reorganize it more efficiently; to make possible the use of its intelligence towards better practices within industry in order to gain greater benefits for itself and those dependent on it. And in order to learn how these ends may be accomplished the conference we are now opening has been planned."[33]

Official Union Attitude toward Union-Management Cooperation

Trade unionists have stated so often their desire to take a constructive part in industry that their declarations are not a novelty. "Because interests are interdependent, undertakings to promote them must be the result of joint thinking and activity," runs a recent official statement. "Workers cannot help themselves by injuring other legitimate interests in industry. It is equally true that every constructive advantage developed by any one element benefits all others more or less directly. Practically every union has some distinctive, constructive undertaking through which it is making the union of greater value to its members and the industry. The nature and the purpose of these undertakings vary widely—some are quite rudimentary whereas others have comprehensive machinery for union-management cooperation. The important fact is the foundation upon which all such developments must rest, [namely, trade unionism], and which makes it possible for workers to have the spirit of partnership in doing the day's work."[34] As matters now stand, the possibilities of accomplishment through union-management cooperation have been demonstrated, and the willingness of organized labor to engage more extensively in constructive work has been expressed so often, so emphatically, and at times so concretely, that it is no longer open to serious question.

[33] *American Federationist,* June, 1927, p. 667.

[34] *Proceedings of the Annual Convention of the American Federation of Labor,* 1927, p. 35.

CHAPTER X

STEPS TOWARD INDUSTRIAL DEMOCRACY

It would be an exaggeration, of course, to say that employers as a class are in favor of industrial democracy, but it is certainly true that many prominent manufacturers, merchants, bankers, public utility officials, and others high in our economic life have declared publicly for a larger degree of democracy in economic activities.

Managerial Belief in Industrial Democracy

Edward A. Filene has often expressed the belief that industrial democracy should be increased and industrial autocracy reduced as rapidly as possible, at the same time having proper regard for economic efficiency and productivity. Owen D. Young, of the General Electric Company, made a striking plea for industrial democracy on the occasion of the opening of the new buildings of the Harvard School of Business in June, 1927. He said, in part: "Here in America we have raised the standard of political equality. Shall we be able to add to that full equality? No man is wholly free until he is both politically and economically free. Perhaps some day we may be able to organize human beings engaged in a particular undertaking so that they will truly be the employer buying capital as a commodity in the market at the lowest price. I hope the day may come when these great business organizations will truly belong to the men who are giving their lives and their efforts to them, I care not in what capacity. Then they will use capital truly as a tool, and they will all be interested in working it to the highest

economic advantage. Then men will be free in cooperative undertakings and subject only to the same limitations and chances as men in individual business. Then we shall have no hired men."[1] This quotation and others of similar nature which have appeared in earlier chapters of the present work are but a few of the many endorsements by employers of the idea of democracy in industry.

Attacks upon *Laissez-Faire* in Industry

From the employees, too, has come a demand for more than mere economic advantages. Satisfactory wages, hours, and working conditions are important, and there has been no lessening of interest in these matters. But the workers have gone further and added to these claims upon industry a demand for *status*—for a definite place in industry which will enable them not only to have a part in fixing the terms under which they shall work, but also, by utilizing their knowledge gained through experience, to contribute constructively to the progress of industry. This idea has figured prominently, of recent years, in the publications of the American Federation of Labor. Moreover, speakers and writers who are neither employers nor employees, and may perhaps be said to voice public opinion, have repeatedly demanded that the old master-servant relationship be abolished and a new spirit of partnership in industry be set up in its stead.

Not content with words alone, the public, through its use of the ballot, has shown clearly its dislike of industrial autocracy by electing legislators who have passed many laws affecting the policies and practices of business men. This sort of action, which might almost be termed "industrial democracy through legislation," has taken the form of legal restrictions in such matters as productive processes; factory, shop and mine conditions; the accurate labelling of goods; wages and hours; financing, and

[1] Reported in *New York Times*, June 5, 1927.

so on. Here we have the people as a whole, hammering away at the old structure of economic *laissez-faire,* and insisting, on behalf of the general public and sometimes in the interests of specific industrial groups that are unable to protect themselves, that the will of the employer shall not necessarily prevail.

Various Concepts of Industrial Democracy

There seems, therefore, to be a rather widespread and growing sentiment that industry should take unto itself the democratic qualities that have long been a characteristic of American political life. But we find that there are wide differences of opinion as to the exact form that industrial democracy should assume. Webster defines democracy as "a form of government in which the supreme power is retained by the people and exercised either directly, or indirectly through a system of representation and delegated authority periodically renewed, as in a constitutional representative government, or republic." We might expect industrial democracy, then, to be a type of industrial order which conforms closely to the provisions of this definition.

The Attitude of Most Employers

But if we describe it in this way, we shall promptly lose a good many employers, and perhaps some others, who regard themselves as staunch advocates of industrial democracy, but have not thought of it as involving the exercise of "supreme power" by "the people" who constitute the bulk of the personnel of our industrial establishments. We have seen, in the preceding pages, that employers who are thought of as distinctly progressive in the matter of labor relations have clung tenaciously to the idea that the workers should not have an active part in actual management. We have quoted Professor Com-

mons as saying that labor does not desire participation in the responsibilities of ownership or management, and that the history of labor organization shows that labor, as such, is quite incompetent to manage industry; and A. Lincoln Filene as believing that the average employee does not wish a voice in management.

Mr. Lewisohn is firm in his insistence that executive control must not be divided, and on this score objects to arbitration that binds management to the acceptance of a decision in spite of its dissent. "Effective production is so dependent upon executive responsibility, freedom to make decision, and initiative on the part of leadership, that one must be deeply concerned with the particular form that employee consultation takes."[2]

Mr. Hall takes a similar view and considers the use of the term "management sharing" either ill-advised or insincere. Not that he wishes in any way to hold back the ambitious and competent worker! "Thank God," he says, "there are and always have been opportunities in the United States for any individual in any industry to really and honestly share in the management of the business whenever he can demonstrate that he has the qualities and the ability for the craft of management."[3] His whole point is that industrial management is leadership, and that leadership must be concentrated; joint control by employers and employees, therefore, he thinks impracticable. It is certainly true that, in urging the adoption of industrial democracy, most employers have not had in mind a form of industrial government which would give to the workers any considerable amount of control in the management.

Unusual Plans for Democratic Control

There are, however, several notable exceptions to this statement. We have seen, for example, that the Partner-

[2] Lewisohn, p. 125.

[3] *Personnel*, February, 1928, p. 75.

ship Plan of the Dutchess Bleachery has given the workers a large share in determining the policies of the company. Another concern in which the employees are participating actively in management is the Columbia Conserve Company, to which we shall again refer presently. W. P. Hapgood, of this company, takes Professor Commons to task for his assertion that workers have neither the desire nor the ability to manage industry. Mr. Hapgood contends that the experience of the Columbia Conserve Company proves that the rank and file are both willing and able to conduct a business successfully.[4] But in holding this view, which personal observation leads him to believe is perfectly sound, Mr. Hapgood stands almost alone among employers. It is possible, of course, that if other employers had had Mr. Hapgood's opportunities to witness labor's ability to manage industry they would not be so certain that joint control of industry is not feasible. But the fact is that the workers have seldom been given a large share in management; and in the absence of any considerable amount of evidence to the contrary, it is very generally assumed, and perhaps correctly, that it would not be safe to entrust to the workers in most industries anything like as much authority as is delegated to the employees of the Dutchess Bleachery and the Columbia Conserve Company.

Power as an Attribute of Democracy

It is evident, then, that the concept of industrial democracy held by most employers is one which is not closely related to a form of government in which "the supreme power" (or any appreciable degree of power, for that matter) is retained and exercised by "the people." This fact raises the question as to whether the industrial relationship that the majority of employers have had in mind can properly be termed "industrial democ-

[4] Davis, p. 293.

racy." If democracy means anything at all, it means government by the people. And *industrial* democracy should mean, obviously, control of a given industrial establishment by the people operating that establishment, "either directly or indirectly through a system of representation and delegated authority"—that is to say, it should mean this if it is to live up to its name. We have noted, in several chapters of the present volume, that the power delegated to the employees under shop committee or employee representation plans is, in nearly every instance, so hedged about by restrictions and qualifications that in the final analysis it is rendered of little avail.

And yet, it is in connection with plans of this kind that the name "industrial democracy" is most often found. Employee representation undeniably permits a greater amount of expression of opinion on the part of the workers than is possible without any system of representation whatsoever, and this must be accounted a definite gain, but it does not mean that industrial democracy has been achieved. W. Jett Lauck, it will be recalled, criticized the John Leitch plan of "industrial democracy" as "absolute autocracy masquerading in the clothing of democracy," since the officers of a given company, under this system of representation, "absolutely controlled the machinery of so-called democratic government." [5] An examination of the situation shows that many liberties have been taken with the name "industrial democracy," and that employers have often claimed to be running their businesses on a democratic basis when they have gone no further in that direction than to provide for a shop committee which was at liberty to express opinions. Without desiring to belittle the work that a committee of this kind may accomplish, it seems only fair to suggest that if the possession of power is the chief essential of democracy the average shop committee has very little to do with genuine industrial democracy.

[5] Lauck, pp. 295–6.

Trade Union Ideas of Democracy in Industry

It would seem that the trade unionists have a clearer idea of what constitutes democracy in industry than have many members of the managerial group—or perhaps it is simply that they feel free to express themselves more frankly. The American Federation of Labor has spoken for "the orderly functioning [in industry] that we have been able to develop in our political life"—for "an industrial franchise comparable to our political franchise." The workers in England have made what a British employer calls "a resolute and definite claim on their part to take a share in controlling industrial conditions." [6]

This statement and that of the American Federation of Labor are clearly indicative of an industrial democracy which possesses and wields power. Yet another trade unionist has shown an understanding of the fundamentals of industrial democracy, in making the following explanation: "The essence of the democratic method simply is that labor shall have a duly acknowledged right to participate in determining all regulation of wages and working conditions that affect it. Through its organization, labor has democratic control of itself. Theoretically, at least, corporations are democratic organizations of the owners of capital or its users. All right, then, let them settle their common affairs democratically. That's all there is to it. The method may take a thousand forms in practice. The form may vary for each industry. The great thing is to secure the universal recognition of the democratic idea." [7]

Absence of Democracy in Employee Representation

If, therefore, we give due weight to the generally accepted meaning of the word "democracy," we are forced

[6] Bloomfield, p. 36.

[7] The same, p. 42.

to the conclusion that thorough-going industrial democracy cannot be attained until the workers are in possession of approximately as great power as the employers. Anything short of this is not democracy, however often it may be called by that name. And since there are few if any employers, and likewise but few students of labor, who would advocate the operation of a plant on the basis of manhood franchise, it seems to be about time to stop talking of industrial democracy as a thing that has been realized, or is about to be realized, and admit that it is a dream of the future, and probably of the far distant future. The truth is that the spirit of democracy has not as yet taken hold of our economic life; and references to the "dignity of labor" and "equality of economic opportunity" should not blind us to the fact that the status of labor is not a dignified one and that economic opportunities are far from equal. Indeed, there is reason to believe that most members of the middle and upper classes would not desire industrial democracy, if they understood the full implications of the term. Certainly most employers would not want it, either now or later, if we may take at face value their demand for *laissez-faire* in industry; and even those persons who are interested primarily in the welfare of labor would doubtless agree that the sudden adoption of genuine democracy in industry would be likely to result disastrously.

As for employee representation constituting industrial democracy, we have seen that the authority exercised by the employees under nearly all shop committee plans is a long way from equaling that of the employer. Most plans of employee representation delegate to the workers nothing more than advisory power. This surely does not justify the use of the term "industrial democracy." The right to express one's opinion is important in industrial life, as it is in political life, but the exercise of this right, unless accompanied by further power, does not imply the attainment of democracy. In so far, then, as

employee representation bears any relation to industrial democracy, it is related merely as a step, and one of the very first steps, toward the realization of democratic procedure in economic life.

The Element of Democracy in Collective Bargaining

The claim is frequently made that there is more of industrial democracy in collective bargaining than in the employee representation form of negotiation, to which the title "industrial democracy" has so often been applied. And with some reason. For collective bargaining can scarcely take place unless the parties to it are on substantially the same basis so far as economic power is concerned. Almost never does the employer recognize the union and consent to bargain with the workers collectively until they, through their united action, have demonstrated that it would be wiser for him to bargain with them as an organization than to attempt to fight them. The existence of collective bargaining, therefore, is an indication that there exists, also, an approximation to equality of economic power between the employer and his employees.

This means that the employer is no longer able autocratically to impose his will upon the workers, since they, through their combined strength, may put up a stiff resistance, if the matter is of sufficient importance to make an issue of it. Under these conditions, there is no need for the workers to take a beating lying down, as they might have to do under a régime of physical or economic slavery. The ability to strike back, which comes through the medium of effective organization, alters the situation materially. It provides, in a word, the "open field and fair fight" which the late Colonel Roosevelt declared to be essential to the "square deal"—that is, to a condition of democracy.

The Case for a Strong Labor Union

The thought that a democracy depends upon the ability of its members to defend their rights is not, of course, a new one. Probably no one has stated the case better than John Stuart Mill. The superiority of democratic government "in reference to present well-being," he said, "rests upon two principles of as universal truth and applicability as any general proposition which can be laid down respecting human affairs. The first is, that the rights and interests of every or any person are only secure from being disregarded when the person interested is himself able, and habitually disposed, to stand up for them. The second is, that the general prosperity attains a greater height and is more widely diffused in proportion to the amount and variety of the personal energies enlisted in promoting it. The former proposition that each is the only safe guardian of his own rights and interests is one of these elementary maxims of prudence which every person, capable of conducting his own affairs, implicitly acts upon." [8]

Unionism as a Means of Defence

The only agency that has yet been developed for safeguarding effectively the workers' rights and interests in modern economic life, is a strong labor union. Most persons who have given any serious consideration to the matter will willingly admit that there are certain conditions under which unionism is absolutely necessary. Mr. Hall, of the American Telephone and Telegraph Company, says that "there is a real place for the older or labor union type of organization in certain industries where conditions of unbridled competition and relative instability exist as between the several separate concerns in

[8] John Stuart Mill, *Considerations on Representative Government*, p. 22. London: Longmans, Green and Co., 1886.

the industry. Certainly there is a place for them in those concerns or industries whose managements are unconscious of the need for any personnel policy or are indifferent or unscrupulous with respect to relations with and treatment of the people in business."[9] "Golden Rule" Nash, who urged his own employees to join the clothing workers' union, holds that industrial democracy is as essential as political freedom, and says that "men are only strong collectively; otherwise, they are exposed to greed of exploiters."[10]

Professor Douglas feels that "the interests of the worker cannot be protected adequately by the public opinion of the consumers, who are seeking low prices and who are generally ignorant of, and often careless about, conditions of employment; they cannot be protected by the benevolence of employers, not only because the modern impersonal wage relationship is not conducive to benevolence, but also because the employers themselves are in the grip of competitive pressure forcing them to cut costs wherever possible in order to secure trade. The interests of the workers can ultimately only be protected effectively by an organization of the workmen themselves to resist the pressure for lower wages and sweated conditions brought to bear upon them through the market structure. The success with which they can offset and overcome the personal and impersonal pressure already exercised against them will depend in direct ratio upon the strength of the organization they can set up."[11] Professor Seager likewise believes that "so long as the profit-seeking exploiter type of employer predominates, our preference must be unqualifiedly for the fighting trade union."[12]

[9] *Personnel*, February, 1928, pp. 77–8.
[10] Lauck, p. 244.
[11] *Journal of Political Economy*, February, 1921, p. 100.
[12] *American Economic Review*, Supplement, March, 1923, p. 11.

Unionism as a "Right"

One of the most significant public utterances on this subject is that of Sir Henry Thornton, of the Canadian National Railways, who defends union membership not only on the ground of necessity, but as a right to which the workers are entitled by virtue of their investment in industry. "The worker, no less than the capitalist," he says, "is an investor. The latter invests his money and the former invests his only resource—his labor. The capitalist endeavors to make investments which are safe and permanent. The same motive actuates the worker; his chief desire is to secure employment which is continuous and which will bring to him a sufficient reward to enable him to live in comfort and decency and to educate his children as self-respecting members of society. In this laudable ambition he wins the good wishes of all, and this seems to be the common ground upon which labor and capital can meet." [13] Sir Henry believes, therefore, that "collective bargaining is just as essential to the welfare of the employee as associations of capital are necessary and useful to the investor."

The "Democratic Attitude" in Non-Union Plants

Collective bargaining through a strong, independent organization of the workers may be regarded, then, as a prerequisite to industrial democracy, since, in the absence of a strong union, any part which the workers play in moulding the policies and practices of the concern are the employer's to give, and his to take away. The power of "the people" which is fundamental to a state of democracy must have in it something of permanency, and not be subject to withdrawal at the whim of an individual. The power exercised by a trade union is of this kind, and here we see the reason why certain students of labor

[13] *Bulletin of the Taylor Society*, February, 1926, p. 27.

relations have consistently maintained that, under present economic conditions at any rate, collective bargaining through firmly established unions must be considered the basis of industrial democracy. Or at least, it is claimed, there must be a "democratic attitude" toward unions on the part of the employer, which means an expressed willingness on his part to grant recognition to the union if the workers request it.

A profession of belief in industrial democracy is scarcely above suspicion if it comes from an employer who steadfastly refuses to recognize the organization that represents the workers' power, and insists that they adopt the brand of organization (such, for example, as employee representation) which he personally favors. But there are some few plants in which there is a distinctly democratic atmosphere, despite the absence of union shop conditions. These are establishments in which the employees have made no attempt and expressed no desire to unionize, but have nevertheless been assured by the employer that he will deal with them collectively whenever they band together and ask for recognition of their union. This is what is meant by a democratic attitude toward unions. And this attitude has been expressed by the management of the Dutchess Bleachery, the Dennison Manufacturing Company, and several other concerns that have figured prominently in the representation movement.

Usefulness of Unionism in Developing Confidence in the Management

There is little danger of over-emphasizing the importance of unionism as a means of convincing the workers that their interests are being looked after. Mr. Lewisohn includes in his book a passage which we may reproduce here as a final bit of evidence on this point. He is quoting a friend of his whom he describes as "at once an ob-

server of economic conditions and an active and impartial figure in labor matters." The friend's statement is as follows:

"Economic improvement will not satisfy the wage-earner. Again and again, in talking to individual workmen, I have found a surprising amount of distrust of the classes by the masses—unreasoning to a large extent, unfair to a large extent, yet it is there. It is due to the feeling among the wage-earners that they have no look-in when it comes to their industrial position. They believe that the people in power do not represent them, therefore they suspect and distrust them. It is a question of status, not of economics. It is the old problem of democracy, the impatience of the individual who feels that others over whom he has no control, directly or indirectly, are in power. Shop committees, company unions, etc., though useful in their sphere, won't solve this problem, because men don't feel that the shop committee is really of their own making. Trade unionism is the only remedy that will serve to alleviate the situation. Trade unionism has a social and political usefulness in satisfying the workmen that their own representatives are in a position to take care of them and protect them. Only such leaders, elected by themselves, can convince them that their distrust is unfounded, or at least persuade them to adopt a compromise course. Only their own leaders can point out to them the advantages of the present economic system, and persuade them to trust in improvement by evolution, instead of attempting disastrous revolution." [14]

"Constitutional Government" in Industry

Another way of inspiring confidence is to reduce to writing, and thus make a matter of record, all agreements that are entered into by employers and employees. The

[14] Lewisohn, pp. 162–3.

use of *written* agreements, it may be recalled, was set down by Mr. Beyer as one of the fundamentals of union-management cooperation.[15] Through the joint negotiations of unions and employers, there is coming into existence what some writers have termed "constitutional government in industry." The practice of collective bargaining has resulted in trade agreements in many important industries. In the making and interpretation of these agreements, conferences between employers and union representatives are held, and the decisions which they reach become, in large measure, the established law of the industry. When conciliation and arbitration are resorted to, there are again decisions which may be cited as precedents in future disputes. In these and other ways, a body of written industrial law and practice is being developed. In many instances it is quite possible, simply by turning to a particular clause in a trade agreement and applying it to a specific case, or by reference to rulings handed down by boards of arbitration, to settle disputes without further ado.

This growth of industrial law has been especially rapid in the clothing industry,[16] but to a lesser extent it has taken place in many fields of economic activity. "The significant thing," says Dean J. H. Wigmore of Northwestern University Law School, "is that general principles are beginning to be formulated. And the moment you have general principles, used for deciding particular cases, you have justice in the form of law, as distinguished from the arbitrary justice of a Turkish caliph, or from private struggle decided by private force. Industrial controversy will become as justiciable as property controversy. And a new field will have been

[15] See pp. 254–5, above.

[16] See, in this connection, W. M. Leiserson, *Constitutional Government in American Industries.* In *American Economic Review,* Supplement, March, 1926, pp. 56–79.

gained for systematic justice."[17] This, clearly, is a step toward industrial democracy.

Specific Requirements of Industrial Democracy

The requirements of industrial democracy, as prescribed by definition and implied by analogy to political democracy, are fairly well met by a system of collective bargaining through independent unions of the workers, and the development of written industrial law in the form of trade agreements and their interpretation over a considerable period of time. But some apostles of industrial democracy have not been satisfied to state their aims in such simple terms. W. P. Hapgood, of the Columbia Conserve Company, believes in an industrial government "of the workers, by the workers, and for the workers," which he translates into the following concrete measures: (1) full-time employment; (2) full protection against sickness, accident, and old age; (3) minimum wage; (4) maximum wage; (5) profit-sharing; (6) abolition of absentee control; (7) workers' control; (8) workers' ownership.[18]

Another program of industrial democracy is that presented by W. Jett Lauck, and developed in some detail in his volume, "Political and Industrial Democracy, 1776–1926." Mr. Lauck says that there are five essentials to industrial democracy, the first of which is an independent labor organization. The second is adequate wage standards, by which he means (1) a minimum wage; (2) differentials, varying with training, experience, skill, hazards, and productive efficiency; (3) some arrangement for maintaining the original purchasing power of these wage standards; and (4) participation in gains effected through economies and increased efficiency in production.

[17] Quoted in Ray Stannard Baker, *The New Industrial Unrest,* p. 228. New York: Doubleday, Page and Co., 1920.

[18] Davis, p. 294.

The third fundamental is certain standard working conditions that have been sanctioned by the best industrial practice. Fourth is a provision for mutual and definite agreements as to methods of participation, provision for complete opportunity to know the facts and problems with which the industry is confronted, and agreement as to the workers' share in pecuniary gains. (In this connection, there should be joint shop committees and employee representation on the Board of Directors, says Mr. Lauck.) The fifth and last requirement is the acquisition, by the employees, of all or a preponderant degree of ownership in industry, with new capital being supplied through cooperative action of employees and consumers, so that industry may be emancipated from dependence upon private and investment banking houses.[19]

In suggesting that the employees should own the capital with which they work, Mr. Lauck is thinking, of course, of a very thorough type of industrial democracy, but the second, third, and fourth items of his program are such as might be expected to follow naturally from the first, even in the absence of employee ownership, provided the independent labor organization which represents the workers has sufficient strength to make its demands effective. It is scarcely necessary to say that, up to the present time, Mr. Lauck's five fundamentals of industrial democracy have seldom if ever been found in a single establishment. It will be worth our while, however, to note several outstanding examples of progress toward the achievement of democracy in economic life.

Signs of Democracy in Industry

The Dutchess Bleachery

One of these, to which reference has already been made, is the Dutchess Bleachery, of Wappingers Falls,

[19] Lauck, pp. 79–129.

New York. The employees of this concern, as we have seen, are not unionized except for the workers in a single department. But the attitude of the management toward independent labor organizations is one of entire sympathy. The employees in the folding department, who are unionized, are dealt with collectively, and the management has expressed a willingness to have an extension of collective bargaining. The wages paid in this plant are low, but that is true of the entire industry, and the steps that have been taken to improve the situation show very clearly that both management and employees are bending every effort to provide adequate wage standards.

The firm's obligation to supply good working and living conditions is fully recognized, and great improvements have been made in these matters. Through a committee of employees, a joint committee of workers and management, and an employee representative on the Board of Directors, the workers are kept in touch with the facts and problems of the business; and there are definite working agreements between employers and employees. But it is not intended that the workers shall become owners in the business, and thus the arrangement fails to meet Mr. Lauck's final requirement of industrial democracy.

The Columbia Conserve Company

The Columbia Conserve Company, of Indianapolis, is a concern that is definitely headed toward ownership by those engaged in carrying on the business. This small canning establishment is being operated according to the democratic theories of W. P. Hapgood. Mr. Hapgood and his two brothers are at present the chief stockholders, but a part of the profits is set aside every year for the purchase of stock to be held by the workers collectively. Even now, the *control* is in the hands of the employees,

for all managerial policies and practices are determined by a majority vote of a council to which all permanent employees are eligible. Virtually all workers, except casual laborers employed during the rush period in tomato-packing season, are "salaried employees," and are paid by the year, without loss of income in the event of lack of work, sickness, or other unavoidable cause.

There are vacations with pay, the length of vacations being based upon the length of service with the firm. Salaries are set by the council, and there are maximum as well as minimum salaries. In addition to wages, workers have a share in the profits. This system, as it works out, comes pretty close to being a perfect example of industrial democracy. Of course, until the employees actually own a majority of the stock, there is always the possibility that the owners might decide to cancel the arrangement. But the gradual but steady acquisition of stock by the workers as a group means that in the course of time this small establishment will be democratically owned and democratically controlled.

The A. Nash Company, Inc.

Ownership by the workers is an accomplished fact in the clothing concern of the A. Nash Company, Inc., for the employees of this company own a majority of the stock and control the business. Mr. Nash has long been preaching the feasibility of practicing the Golden Rule in industry. He has, at the same time, built up a plant which does an annual business of about ten million dollars. His desire to treat his employees as he himself would wish to be treated led him to make two moves which are almost without parallel in the economic world. The first was to urge his employees to join the union, the Amalgamated Clothing Workers of America, so that they might be strong enough to protect their own interests; and the second consisted of turning over to his

workers the new issues of stock that were based on reinvested earnings. As a result, the employees, through their stock ownership, now control the Board of Directors, and consequently the management of the establishment; and in addition they are completely unionized. There is a system of profit-sharing, and also a fund to provide for employees in periods of involuntary unemployment. The size of the A. Nash Company does not permit the use of a direct democracy form of industrial government such as is in force in the Columbia Conserve Company; in their dealings with the company, the Nash employees, as such, are represented by their union.

William Filene's Sons Company

Edward and Lincoln Filene, of the William Filene's Sons department store in Boston, have frequently expressed the belief in industrial democracy; accompanying their expressions, however, with the warning that democracy must not be extended so rapidly as to impair the efficiency of industry. The Filene plan of labor relations is one which indicates a genuine desire to promote democracy in industry, combined with caution lest the employees acquire power faster than they develop the ability to use it wisely. The ownership of the business, therefore, is retained by the Filenes and their two partners. Six of the eleven directors of the company are representatives of the employees, but their power is limited by the fact that employee-directors serve for one year only. However, there is a council composed entirely of employees, through which the workers have a large share of control over many details of the business.

The council exercises a great deal of power in the matter of working conditions; and the employees of the store, by a two-thirds vote, may change any store rule or regulation which the owners or management may have put into operation. Profit-sharing is practiced, but the

management decides arbitrarily who shall participate in the profits, and to what extent. Many activities are carried on for the benefit of the employees, including educational classes, an employee restaurant, a savings bank, hospital and clinic, and so on. There is no independent organization of the workers, through which they may bargain, but all employees are members of the Filene Co-operative Association. It will be seen, therefore, that despite the many admirable features of the Filene plan, the workers do not possess that degree of power which is a fundamental of true democracy.

Dennison Manufacturing Company

The same remark applies to the Cooperative Plan of the Dennison Manufacturing Company, so far as 90 per cent. of the employees are concerned. The control of this plant rests with some four hundred managerial employees, who constitute about one-tenth of the entire working force. These four hundred "Managerial Industrial Partners," as they are called, hold common stock bought with reinvested profits of the business, and through their voting power they select the Board of Directors and dictate the policies of the business. Failure of the business to pay a guaranteed return to the holders of preferred stock would result in temporary loss of the privilege of electing the Board; and if for four successive years the business is unable to pay eight per cent. on preferred stock, the managerial industrial partners lose permanently this control over the Board of Directors. The rank and file of the workers, who are known as wage-earners, have representation through an industrial council plan, and they share in the profits of the business but have no part in the election of directors.

The Dennison Cooperative Plan, like the Filene plan, provides for many welfare activities, which have to do with such matters as unemployment benefits, housing,

education, and insurance of several kinds. There is no discrimination against trade unions, and union agreements already in force were not affected by the introduction of the Cooperative Plan. Probably no employer in the country has sought more sincerely than has Mr. Dennison to promote democratic relations in industry. Back of the Dennison plan is a genuine spirit of democracy, and an unquestioned interest in welfare of the workers. But apparently it has not as yet seemed feasible to Mr. Dennison to entrust *all* of the employees with a share in control. In actual practice the authority is restricted to one-tenth of the total personnel. The result is class control by a chosen group of the workers, and not industrial democracy.

Philadelphia Rapid Transit Company

Perhaps the "Mitten Plan" of the Philadelphia Rapid Transit Company has been given more publicity than any other scheme of industrial representation that has yet been devised. This is due not only to the general excellence of the plan, but also to the fact that it has been instrumental in bringing order and efficiency into about as sorry a state of industrial relations as could be found anywhere. The Mitten Plan has been functioning for seventeen years, and during this period the Philadelphia street railway employees have lived at peace with the management, and the service rendered the public has shown definite improvement. The employees of the Philadelphia Rapid Transit Company are not organized independently. They belong, instead, to a Cooperative Association; but no employee is compelled to join the Association, and workers are free to join trade unions, if they so desire. Furthermore, the management has repeatedly announced its willingness to deal with any union which has on its membership rolls two-thirds of all employees of the Philadelphia Rapid Transit Company; which means, necessarily, an *industrial* union.

The company has been paying what are generally conceded to be good wages, and has put into operation a scheme known as the "P. R. T. Market Basket Plan," through which money wages are made to vary directly with prices, so that an employee's *real income* is not affected by price fluctuations. Employees share, also, in the profits of the company. Satisfactory working conditions have been provided. Adequate representation is afforded through branch, departmental, and general committees. Points of difference between management and employees are adjusted through outside arbitration, if they cannot otherwise be settled amicably. A system of employee stock ownership has enabled the workers to get possession of one-third of the thirty million dollars worth of common stock, and through the ownership of this stock they elect two employee directors to the Board of Directors. The future purchase of common stock might conceivably bring to the workers complete ownership and control of the company.[20] It should be noted, however, that the stock owned by the employees through their Cooperative Association is voted by a joint committee of employee and managerial representatives. This arrangement limits the employees' power to vote their stock in their own interests, should these interests happen to conflict with those of the management. Nevertheless, all things considered, the Mitten Plan seems to come as close as any to meeting Mr. Lauck's requirements of industrial democracy.

The Economic Hopes of Labor

These brief sketches of industrial relations in a half-dozen progressive business establishments serve to show that some progress toward industrial democracy is being made. But when it is recalled that the plans outlined above are among the most advanced to be found in

[20] Since the writing of this paragraph, the employee-owned stock of the Philadelphia Rapid Transit Company has been exchanged, by the Coopera-

this country, and that they would be regarded by most employers as unduly liberal, it will be realized that, though a definite start has been made, labor is still a long way from participating in industry as it participates in political life. One student of industrial conditions has given an interesting account of what the worker wants in an economic way.

"The industrial world of which labor dreams," runs the description, is "a world of peace and production, and of a comfortable standard of living for all. It is a world in which all capital and all labor are organized for the purpose of carrying on industry efficiently and distributing the product justly; a world in which the desirability of labor participation in legislation, and of labor contribution to industrial management is fully recognized; a world in which all the elements of industry are trained to negotiate in an orderly and civil manner; a world in which adequate machinery exists for constant consultation and negotiation upon all problems of production and distribution; a world in which labor, secure in its power to obtain for itself its full share of the product, freed from the necessity of spending its energy upon the fight for existence, is able to devote its time and attention to the production of wealth; a world which recognizes the right of society and of the individual to the greatest possible material comfort; a world in which each human being is afforded the satisfaction of using and developing his powers of imagination and planning for the future, as well as his powers of accomplishment upon the industry by which he earns his living." [21]

tive Association, for stock in the Mitten Bank Securities Corporation, a holding company. It is claimed, however, that the employees have not through this exchange surrendered any control which they formerly held in the Philadelphia Rapid Transit Company, since their holdings of M. B. S. C. stock are proportionately as great as their former stock ownership in the Philadelphia Rapid Transit Company.

[21] J. M. Turner, in Commons, p. 418.

It is evident that much remains to be done before an industrial world of this kind becomes a reality.

Proposed Roads to Industrial Democracy

Various plans for bringing about industrial democracy have been suggested from time to time. One method, which would involve many and great changes in our economic system, is that of government ownership and operation of industry. A second proposal is that the government own the productive equipment of the country, but that the management of a given industry be shared jointly by the state and the employees in the industry. This, of course, was the theory of the well-known "Plumb Plan," which was proposed for the operation of the railroads in the United States. Another possibility is the ownership and control of a business by all persons who are directly employed in that business.

Finally, there are the more popular attempts to attain industrial democracy without undertaking such radical departures from private ownership and control as would be necessitated in putting into practice any of the three plans mentioned above. Trade unionism is a step in the direction of industrial democracy under private ownership, since it does something to bring about the relative equality of power that is vital to a genuine democracy; but trade unionism is usually not representative of all workers in an industry, and to the extent to which it overlooks and neglects the semi-skilled and unskilled it is undemocratic. Employee representation is superior to trade unionism in so far as it takes into account all workers in a given plant, and thus provides a broader type of representation; but the shop committee system suffers from lack of power, and without power, as we have seen, there can be no industrial democracy.

Advantages of Industrial Unionism Combined with Cooperative Idea

On the whole, industrial unionism seems to be the most likely agency for the attainment of industrial democracy under private ownership, for this form of labor organization is one that not only supplies the workers with the bargaining power essential to the protection of their rights, but also insures that all employees in an establishment shall be represented. If the cooperative idea of the Baltimore and Ohio Plan were combined with industrial unionism, it would seem that all of the advantages of trade unionism, employee representation, and union-management cooperative should result. These advantages would include the possession of real power by the workers, and by *all* of the workers; the assurance of status, and consequent release of the energies of the employees for constructive work; and the close contacts, secured through joint committees, which have proved helpful in the solution of local problems.

An arrangement of this kind, if it were brought about gradually, should be an aid to greater production and the elimination of waste; though it might easily result in changing the proportions of the product which are now going to capital, labor, and management. And it would certainly do something to promote democracy in industry. If it should strike some readers as not going sufficiently far in the way of providing "government by the people," it is certain to impress others as going entirely too far. For many who have had a great deal to say in praise of industrial democracy have supposed that it could be realized without in any way restricting the employer's authority. Finding that it cannot be brought about so cheaply, some will come promptly to the conclusion that industrial democracy costs more than it is worth.

Possibility of Attaining Industrial Democracy in the Future

But others, including a number of socially-minded employers, are willing to take risks and even definite losses in order to engage in the high adventure of searching for the road to industrial democracy. For industrial democracy, as we have tried to show, is a thing of the future, and whether it comes soon or late will depend very largely upon the possibility of interesting leaders of the business world in the extension of the democratic idea. In this business of bringing about industrial democracy, however, there is need to make haste slowly. For power cannot with safety be entrusted to industrial employees unless a sense of responsibility and a capacity for using authority wisely are developed as the workers' power is increased. Fortunately, it is possible to develop these essential qualities. For example, it is claimed by one writer that the union is "a real school for citizenship in a democracy. This is especially true where, as in the clothing trades, there is in existence machinery for the constant settlement of grievances. Here in their own industry the people are in daily contact with the workings of representative government. Here they learn to look for justice to an established industrial government; they learn to join with the employer in paying the expenses of their machinery of justice; they learn self-restraint." [22] Just how rapidly labor can be prepared for the exercise of greatly enlarged functions, is a matter of conjecture. But if to those employers who are now experimenting with joint management in industry, others can be added in considerable numbers, it seems probable that in the course of some years or decades, as the case may be, industrial democracy will take definite shape and become a reality instead of, as at present, the dream of a handful of idealists.

[22] The same, p. 403.

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